

Next 1 Page(s) In Document Exempt

25X1C10B

November 1968

CZECHOSLOVAK ECONOMIC REFORM:LITTLE ROOM FOR OPTIMISM

Ivan Svitak, formerly professor of philosophy at Charles University and one of the leading intellectual reformers of Communist Czechoslovakia succinctly summarized the evolution of his country's crisis during a lecture on 6 July 1968:

"Czechoslovakia's democratization process of 1968 had its origin in the events of 1956, the year which began with the denunciation of Stalin at the Twentieth Soviet party congress and ended with the Hungarian uprising. In the wake of the Moscow congress, the Czechoslovaks felt that the long night of Stalinism was ended, and that the communist party would lose some of its oppressive character. When, however, it became clear that the communist leaders were still guided by Stalin's democratic centralism and that the old methods would prevail, a deep-seated mood of disappointment set in, aggravated by a seemingly insoluble economic crisis. The explosion of 1968 arose out of these conditions....

"What might be called the winter period started with the January 1968 Central Committee meetings, at which Novotny was removed from the party leadership and the so-called democratization process was launched.... Up to this point, the reformers in the party were interested primarily in making those personnel changes which would facilitate the implementation of the economic reforms.

"The second, or spring stage then began.... Writers and publicists were responsible for the breakthrough in the second phase; the intellectuals and scientists brought on the third stage.... It was, in effect, an appeal for the purification of intellectual life."

("Before the Occupation:
Political Crisis in Czechoslovakia," Ivan Svitak,
East Europe, October 1968)

* * * * *

At this stage, two months after the Warsaw Pact Five's invasion of Czechoslovakia, the political and economic "liberalization" issues are so intertwined that the demise of the former can only result in the continued stagnation of the latter. The prognosis for Czech and Slovak economic health is a gradual return to "normalcy" as it is defined by the Kremlin: Preservation of the command system with an occasional palliative thrown to this or that element (such as injecting a little economic

sense into the pricing system, etc.) and a foreign trade structure hide-bound by CEMA family ties.

What made the Soviets nervous about the economic-industrial experiments being introduced by Academician Ota Sik was their stimulative effect in promoting demands for political freedom. A modicum of political liberty and the momentary absence of censorship gave the economic reformers latitude to publicize the facts behind the Czechoslovak "economic fantasy." By exposing the underlying causes for the economic stagnation that has characterized the period of Soviet-style economic domination, Ota Sik -- then Deputy Premier -- hoped to woo the workers and trade unionists who felt threatened by the impending loss of that great socialist boon -- job security -- and to mollify plant managers facing a future bereft of unearned subsidies. In a TV lecture series during June and July 1968, Deputy Premier Sik put the facts before the public and described economic malpractice in his country as being "so widespread it had become part of the national subconscious."

The extent of support mustered during this brief period of free articulation, by Ota Sik and the other economic reformers from among the conservative, old-line party hold outs and the nervous managers and trade unionists will never be measured. Soviet tanks silenced the campaign.

Meanwhile, until the end of August 1968, Soviet criticism of the Czech New Economic Model (legislated in 1967) and of the economic aspects of the New Action Program (adopted in May 1968) was by inference only. Even the Warsaw Pact letter of mid-July 1968, which spelled out to the Central Committee of the Czechoslovak Communist Party all that was expected from the Party in getting the country "back onto the path of socialism," implied a hands-off policy for internal economic matters: "We do not interfere with the methods of planning and management of the Czechoslovak Socialist Republic, the activity aimed at perfecting the economic structure, the development of socialist democracy...."

Soviet condemnation of this vital aspect of Czechoslovak life began late August 1968, and has since continued unabated, with Soviet press polemics at first abusing not the economic reform so much as its architect, Deputy Premier and Chairman of the Economic Commission, Ota Sik. Assessed by the Kremlin as obstreperous and politically dangerous, Sik was first accused on 30 August as a traitor to the party for having publicly questioned the price structure of Czechoslovak-Soviet economic agreements, criticized the quality of Soviet goods, and complained of the Soviet Union's mounting ruble debt to Czechoslovakia. The invasion, on 21 August, found Sik in Yugoslavia from where, on 2 September, he submitted his formal resignation as Deputy Premier to remain in Belgrade as economic counselor to the Czechoslovak embassy. By mid-October Ota Sik had arrived in Switzerland where, at this writing, he is reported to have asked for political asylum.

Soviet allegations that Czechoslovakia, influenced by the "bourgeois theories" of Ota Sik, was on the "road to capitalism" appeared in the

5 September issues of Pravda and Izvestiya, signalling the first of a series of "ideologically correct" party think-pieces. Led by the old-line, neo-Stalinist critics of the Soviet Union's own economic reform efforts, a systematic pecking away has begun at all that was pragmatic about Prague's approach to eliminating state-subsidized waste and inefficiency and to launching Czechoslovakia as a competitor in the Free World market.

Soviet press polemics charge that Czechoslovak reforms will lead to unemployment, lower living standards and the penetration of foreign monopolies into the country's economic life (thereby rekindling the emotional reactions fostered by Novotny in his shadowy support of the same economic reforms). In a long article of 2 September, Pravda outlined the "advantages" to Czechoslovakia of trading primarily with the Soviet Union and the Communist Bloc and declared that "only a pitiful handful of political ignoramuses" in Prague were interested in trade with the West and in soliciting hard-currency credits.

A series of articles highly critical of the Yugoslav "economic reform in practice" began in the Polish newspaper Trybuna Ludu in early September. The series was rerun and/or commented on with approbation in the Soviet Pravda (13 September) and Ekonomicheskaya Gazeta (No. 38). In the London Times (21 September) Kyril Tidmarsh discusses an Izvestiya article that decried the pitfalls of Yugoslavia's system of worker participation in management and claimed that such a system was "in fact the cause of economic stagnation." (!)

In the September Voprosy Ekonomiki (Questions of Economics) old-guard Soviet economist Academician Stanislav Strumilin took advantage of the increase in post-invasion conservatism to publish a year-old speech of his and to attack Soviet reforms that parallel those in Czechoslovakia. The tirades will continue.

Why? From Prague, Dan Morgan writes in the Washington Post (17 September 1968) "The attacks on the Czechoslovak economic plan are viewed as particularly cynical since one of the occupying powers, Hungary, is much further along in implementing radical reforms than the Prague regime and another, East Germany, does nine percent of its trade with 'revanchist' West Germany," (The Soviet Union does six percent of its trade with the same "revanchist" partner.) To better adjust their industries to foreign market conditions, three of the occupying states (Hungary, Poland, and East Germany) have been just as active as Prague in whittling away at the Soviet-conceived "monopoly principle of foreign trade." Each has been granting greater freedom to its large industrial plants, permitting direct links with foreign buyers and suppliers. Even the USSR, while defensive about the historical justification (established by Lenin) for maintaining the state monopoly of foreign trade in socialist countries, has been increasingly permissive about direct foreign and Soviet industrial liaisons.

Is it because industrial Czechoslovakia, as the key element in the Communist Bloc (CEMA) system, might have been too successful in redirecting its trade westward?* Has the Kremlin decided, quite apart from political considerations, that if Czechoslovakia were to obtain her required \$450-500 million in hard-currency credits, then the New Economic Model, with teeth, could succeed and Czechoslovakia emerge as the "show case" of Eastern Europe? Or is the Kremlin fearful that its own lumbering and hesitant implementation of economic reforms could, by the example of Czechoslovakia, be precipitated into even greater politico-economic crises ("crises" by communist definition!) than those faced by Czechoslovakia? The question is wide open.

Even with censorship reimposed, the Czechoslovak Party press has not let the Soviet press go unanswered. On 16 September, thirteen leading economists (none, however, government officials) defended Prague's reform movement in a signed letter published in Rude Pravo. On 24 September, a group of fifty Czech and Slovak economists detailed "The Economic Policy We Need" in a reiteration of the basic concepts of the Sik economic platform; their declaration, too, was published as a signed article in Rude Pravo.

While East Germany has essentially echoed Moscow's polemics, Hungary on 20 September came strongly to the defense of her own economic reforms, which resemble those of Czechoslovakia. Premier Jano Fock said that Hungary had tried to make other Socialist countries understand the "process going on in our country -- in the hope that they would agree with our course, if possible." The Premier emphasized to a group of technical and scientific federations that Hungary will "continue to stick to this attitude." Alvin Shuster, from Budapest (New York Times, 21 September) wrote that "this was the first time since Hungary joined in the Soviet-led invasion a month ago that the Premier had spoken out ... Janos Kadar, Communist party leader, has not yet made a public post-invasion statement.... The economic ideas of Dr. Sik ... were studied by

*As part of the big picture, \$30 to \$40 million in hard-currency annual earnings is not much. But in the context of delicately balanced east-west trade and the competitive market -- the amount has considerable potential. The figure represents the average 1966-1967 earnings for Czechoslovak sales of Skoda's "snappy, rugged, compact auto -- the 1000MB." Time, 10 March 1967, cites the Skoda success of proof that "Communism can at least try to compete in highly competitive Western auto markets ... Russia's ZIL and East Germany's Trabant have failed to even dent the same market -- but Skoda is becoming increasingly popular on roads from Cologne to Christchurch, New Zealand." Significantly, Skoda management has been convinced for some time that foreign sales could probably be doubled if the government did not insist their product be marketed by a "state trade organization" (MOTOKOV) that handles some 50 other products and knows nothing about the car it is trying to promote.

economists here in preparing Hungary's program.... In some respects, experts say, the program here goes even further in theory than the preinvasion Czechoslovak liberalization."

The main difference between the Czechoslovak and the Hungarian approaches to economic reform was that the former committed heresy by simultaneously legislating freedom of the press; the latter did not. By telling the world that the fine balance of the Czechoslovak economy had been all but demolished by the heavy-handed application of Marx' gospel and Stalin's master plan, the Czechoslovak reformers tromped on the most sensitive of Moscow's hypersensitive toes. As goes an old Russian proverb: "You don't carry your garbage outside of your own house!" (Ne vynosi' sor iz izby!)

What the Soviet Party press has overlooked is that hard economic facts do not easily lend themselves to frothy propagandistic polemics. And maybe that is the optimistic note in the long-term forecast for Czechoslovakia's (and East Europe's) economic development.

* * * * *

CURRENT HISTORY
April 1967

According to this specialist, "formidable obstacles lie in the way" of the success of Czechoslovakia's New Economic Model, NEM. If the bold experiment succeeds, he concludes, the Czechs may see "signs of rejuvenation not only of their economy but of their political scenery as well."

CPYRGHT

CPYRGHT

Czechoslovakia's Half Century

THE FIRST HALF-CENTURY of Czechoslovakia's national history consists of three sharply distinct periods. The first began in 1918 with the dissolution of the old Hapsburg Empire and ended in 1937 with the death of Czechoslovakia's president-liberator, Thomas G. Masaryk. In this period the new republic stood close to the democracies of West Europe to which both its people and its president had long-lasting cultural and politico-ideological ties.

This period was followed by a second period of ten chaotic years during which the country lost its political identity and became a defenseless victim of European great power politics. This was the period of the Munich partition and of the Nazi occupation, the period of the Yalta pact and the illusion of a regained national sovereignty. It ended in 1947 with the Kremlin showdown that prevented Czechoslovakia's intended participation in the Marshall Plan. This buried the hope that the country could assume the function of a bridge between Europe's West and East—a policy concept promoted by its democratic politicians. Czech capitulation to Stalin's order without a single resignation from the coalition government set the stage for the third period of Czechoslovakia's modern history, oriented toward Europe's East.

The following 20 years of Communist Party rule were marked by a radical change of the social objectives of the young republic, the downgrading of Masaryk's role in its establishment, the rejection of his political concepts incorporated into its first constitution, and the reshaping of the country's economy to the role assigned to it in the Soviet bloc. This policy twisted the development of Czechoslovakia from the course chartered by its history. It undermined the balanced structure of its economy, crippled its self-propelling forces, and threw its operational mechanism out of joint. The present regime is now trying to repair the damage by far-reaching reforms which, in their consequences, would

By VACLAV E. MARES

amount to the repudiation of many doctrines that had been sacred to the Party.¹ The experiment is under way, and its outcome is uncertain. If successful, it might mean that the fourth period of Czechoslovakia's modern history is just beginning.

The striking accomplishments of Masaryk's republic—political integration of the formerly separated provinces, cooperation with national minorities, social legislation, balanced expansion of the production base and, mainly, the fabulous and widespread increases of individual prosperity—were achieved by the close cooperation of its socialist and middle-class parties. Most of their leaders were men trained in practical life who had a common-sense rather than a doctrinaire approach to the problems they had to solve. They respected the dynamic forces at work in Czechoslovakia's economy and never tried to push their reforms against them. With more than 70 per cent of its labor force in manufacturing, trade and other services, the country was earning, by the sale of its luxury products on Western markets, enough pounds and dollars to pay for imports of equipment needed for its plants. A wide diversification of production and a high productive efficiency were the main sources of its strengths. Czechoslovakia offered good employment opportunities to both men (i.e., in mining, heavy industry) and women (i.e., in textiles, costume jewelry) in most of its major industrial regions.

HUMAN RESOURCES DRAIN

When, in 1948, Communist Party leaders took charge of Czechoslovakia's economy, they ignored the working rules of its ingenious pooling system of labor and capital. They destroyed its functional interconnections by their ambitious growth policies—overexpanding capital goods industries at the cost of all

¹ The term "party" refers here and in the rest of the article to the Communist Party of Czechoslovakia.

Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4
other industries and services. One more factor, however contributed to their troubles, for which they could not be held solely responsible. This was the loss of expert technical and management personnel which Czechoslovakia had suffered in the preceding decade and which was unmatched in its magnitude in any other industrialized country of the world.

This unusual drain of precious human resources was the result of mass purges and population transfers during and after the war. The deportation of Jews under the Nazi occupation deprived the country, first, of many technical and commercial employees and of individual Jewish businessmen. Since the Hapsburg days, these people had controlled many sectors of Czechoslovakia's export trade. In the same years, many Czech employers were removed from their executive positions, where the Nazi administration did not trust them. With the end of the war came the transfer of the Sudeten Germans which, in turn, removed several hundred thousands of specialized craftsmen from their manufacturing jobs. With them left also the dispossessed enterprise owners—all the Germans and many Czechs, too—some because of their collaboration with the Nazi regime, some because such charges were fabricated against them by administrators hopeful of obtaining their confiscated property. Eventually, those charged with "anti-social" behaviour during the war years also had to go; among them were many foremen, shop supervisors and other personnel whose function it was to enforce work discipline in the plants. Thus, in 1948, when the party planners launched their gigantic program aimed at transforming Czechoslovakia's economy in line with the country's new political orientation, they had to dispense with the advice not only of economists and trained administrators—whom they distrusted anyway—but with the assistance of experienced technicians as well.

The transformation of Czechoslovakia's highly articulate economic organism to the needs of the Soviet bloc would have required far more surgical skill than was required for the same purpose in the primitive agricultural economies of southeastern Europe. The party planners were not aware of this; with Marx' gospel and Moscow's master plan in hand, they crashed into the finely balanced structure of Czechoslovakia's economy like a bull

into a china shop. The result was disastrous for the long run, even if in production records the party planners could boast of some spectacular achievements.² In 15 years, the country more than quadrupled the output of electricity, fertilizers and building materials. It trebled the output of steel, cement, and lignites, and nearly doubled the output of coal, paper, and beer. This helped it become the world's largest per capita beer consumer.

On the other hand, the planners failed in their efforts to stimulate agricultural production, which for the same period showed an index figure increase from 100 to 146 in the animal, and only to 113 in the vegetable sector (the latter caused mainly by industrial raw materials of vegetable origin). Thus the country's prewar self-sufficiency in food production was lost, and during the past years it has frequently needed to supplement its domestic production by imports.³

FURTHER DRAWBACKS

Such statistical records, of course, say little about the benefits that the people received from their government's policy. How did it help a young couple to know that the output of building materials had increased if they could not find an apartment and had to be satisfied for the early years of their married life with one room in an apartment where they shared kitchen and plumbing facilities with another family? How could a housewife enjoy the news about improvements in the domestic food supply when she was often forced to "support" the balance of the market by buying one pound of liver when she wanted a pound of steak or one pound of onions for every pound of carrots that she asked for? How was a potential car buyer

² Any objective evaluation of losses that Czechoslovakia suffered by this experiment must also include, in addition to the billions invested in never-to-be profitable production facilities and forfeited earnings of the neglected production lines, the benefits lost when Czechoslovakia was denied access to the modern productive technology of the West. With annual injections of Marshall Plan dollars amounting to 10 per cent of its national income (the amount West Germany received between 1948 and 1953), Czechoslovakia could have modernized the equipment of its mines and farms, public utilities, and manufacturing plants and could thereby have joined in the 1950's the new affluent society of Europe.

³ These quantitative summary statements are based on tables published by the *Czechoslovak Statistical Yearbook 1965 (Statisticka Rocenka CSSR)*, Prague. The comparisons with West European countries that follow were made by using comparable data from the tables published in the *Statistical Handbook of the North-Atlantic Area* (New York: The Twentieth Century Fund, 1966).

improved. For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4
output had trebled, when he knew that he would have to wait from 6 to 30 months for his car, depending on his priority ranking and on the amount of cash (minimum 40 per cent) that he could deposit when placing the order?⁴

When some liberalization of traveling came, how could a responsible citizen fully enjoy his trip when he was denied the right to pay for it with his own money and needed to depend, while abroad, on the charity of his foreign friends or relatives? Finally, how could he find any satisfaction in international comparisons of national income per capita which showed him that at the end of the 1950's he was still slightly better off than people in other countries of the Soviet bloc when from the same table he could also learn that he was from 30 to 50 per cent below his neighbors in Western Europe whose standard of living was once also his?

It has recently been suggested that the best rule-of-thumb measure dividing nations into three groups of development is the popularity of the bathtub (which separates the lowest, most numerous group of humanity from the middle group) and the passenger car (which separates the latter group from the upper group). In neither respect is the position of today's Czechoslovakia satisfactory. At the end of 1966, there were only 32 cars on the road per 1000 inhabitants, which compared with 130 for Switzerland, 146 for West Germany, and 180 for France. From all dwellings in use in Czechoslovakia, only 35 per cent had water piped into the apartment (against 98 per cent in Switzerland, 96 per cent in West Germany, 58 per cent in France and 35 per cent in Italy). The decline of Czechoslovakia's housing standards was confirmed by the party's official daily, *Rude Pravo*, when on August 13, 1966, in its description of an "average citizen" (i.e., he spends over 50 per cent of his income for food, drink, and tobacco, one-sixth for housing, one-seventh for clothing) it said that "he occupies about ten square meters (90 square feet) of housing space, which is to say one room for every 1.5 persons." This last figure compares with .7 for Switzerland, .9 for West Germany, 1.0 for France, 1.1 for Italy.

⁴ The daily *Obrana Lidu* of October 29, 1966, announced that 161,393 persons were on the official waiting list for a car. Reporting this figure, the paper added that more people are now in Czechoslovakia engaged in this "battle for a car" than were engaged in the "Three Emperors' Battle" at Austerlitz—Napoleon's famous battle fought on Czech territory.

in addition, the recollection of all the housing space losses of Germany during the war and all the housing space gains of Czechoslovakia resulting from the confiscation of Sudeten German property offer a clearer picture of the bankruptcy of the Communist Party's housing policy in Czechoslovakia. It is a very serious indictment of the regime that, 20 years after it took control, it had not yet provided such basic prerequisites of happiness as privacy and adequate housing.

ALARMING SYMPTOMS

After its first setback of 1952-1953 (which was blamed upon saboteurs) and after some organizational changes, Czechoslovakia's economy improved its performance quantitatively in the following years. However, new signs of distress appeared at the end of the 1950's, and the downward trend of the gross national product index per capita became alarming in the early 1960's. Based on 100

⁵ Had they been able to examine it objectively, they would have found (a) that there was nothing "imperative" in the political coup of 1948 because there was no more reason for Marx' prediction to materialize in Czechoslovakia than in other industrialized countries of the world (all of which disproved Marx' theory in this respect); (b) that the coup was not a revolution, as the party historians like to speak of it, because neither objective nor subjective prerequisites existed for it (the socialistic parties held the majority control of the nation's legislative bodies anyway); and (c) that the coup was a plot of a well organized group of Moscow-trained party men and its success was an accidental result of a pitiful imbalance between their aggressiveness and the fading resistance of a sick president, Eduard Benes, and of confused democratic politicians, none of whom had the stature of a potential national leader.

⁶ The following statements are abstracts from studies written in particular by Ota Sik, Oldrich Cernik, Josef Toman, Zdenek Kodet, J. Goldman, L. Jungling, K. Janecek, A. Suk, J. Kanturek, S. Vacha, R. Selucky, V. Nachtigal, M. Toms, M. Hajek and others. The government is obviously interested in giving these studies wide publicity and publishes many of them in English translation in two special series under the names *Czechoslovak Economic Papers* and *New Trends in Czechoslovak Economics* (Prague, 1965-1966).

From analytical studies published on the subject by scholars in Western countries the following are of special interest: Michael Garmarnikov, a series of four articles published in the January, May, July, and August, 1966, issues of the monthly *East Europe* (New York); Jan Michal, "The New Economic Model," *Survey*, April, 1966 (London); Ivo Moravcik, "The Background of the Czechoslovak Economic Reform"; Vaclav Holcsovsky, "Mutations of Soviet-type Economic Models." (The latter two to be published in the collection of papers presented at the Third Congress of Czechoslovak Society of Arts and Sciences in America held at the Columbia University, New York, in September, 1966.); Harry G. Shaffer, "The Enterprise Director and the New Economic Model in Czechoslovakia," *The Journal of Industrial Economics*, November, 1966 (Oxford, England).

1960	1961	1962	1963	1964
107.4	105.8	100.8	97.7	100.1

This proved the validity of warnings printed earlier in academic periodicals and formulated by several young economists who, like Professor Yevsei G. Liberman and his group in Russia, opened a learned debate about the causes of the operational troubles of their respective systems.

Czechoslovak economists were outspoken in their analytical studies even if, for obvious reasons, they could not go to the root of the problem. They had to accept the facts that the coup of 1948 was necessary because it was said to reflect exactly Marx' prediction and that the reorientation of the country's economy was an equally imperative consequence of that predetermined historical event. Being economists and not historians, the young critics had good reason to avoid the discussion of this party axiom.⁵ They undertook only the task of examining whether the highly centralized system of planning and management introduced in 1948 had outlived its usefulness. They made it clear that they were speaking for the whole community of intellectuals when they defended their right to dissent.

These were found to be the causes of the troubles from which Czechoslovakia's economy was suffering:⁶

(1) *Imbalance between consumption and investments.* This is evident from the trends of the following index figures (based on 1948 = 100):

Components of gross national product:				
1960	1961	1962	1963	1964
<i>Non-productive consumption</i>				
210.0	219.2	225.2	229.4	237.2
<i>Accumulation</i>				
640.9	806.7	747.0	539.9	515.5

These figures show, first, to what extent the public was deprived of a fair share of social benefits for its productive effort in the decade of the 1950's and, second, they show that the modest improvements of consumption in the 1960's were offset by a much sharper decline of investments. This prompted some critics to claim that the nation was starting to live beyond its means and to call for a tightening of belts. Others, however, blamed the decline of investments on inefficiency and waste in the use of investment resources. Both

groups agreed that the reduced investments were one of the main causes of the decline in the growth rate of the economy.

(2) *Imbalance between available resources and investment needs.* This was found to be another cause of reduced industrial investments. The gravity of this aspect of the problem was indicated by Professor Ota Sik, director of the Economic Institute of the Czechoslovak Academy of Sciences, and Czechoslovakia's foremost economist, in his address to the 13th party congress in Prague in June, 1966, when he said:

Without increased imports we are able to insure in our country neither a further growth of production nor of consumption. Today we are maintaining the needed imports at the price of exporting such products, where we often do not get back not only the expended work but sometimes not even the cost of all the raw materials used.

(3) *The wasteful use of available resources.* Because capital was treated as free goods and no interest was charged on borrowed funds, factory managers used to hoard raw materials to protect themselves against possible supply breakdowns; they also often accumulated large stocks of undemanded finished products since their quantitative output figures were more important "success" indicators than cost considerations. The same waste was also found in the use of human resources. Managers often kept on their payrolls labor which they did not need, in case of some unexpected production order. The same disregard for the costs of capital was responsible for the excessive construction time of many investment projects.

(4) *Outdated technology.* Managers' resistance to technical innovation was found in many cases to be the cause of outdated technology. The reasons were summarized by one of the economists as follows:

The explanation is, first of all, that the introduction of new technology involves certain risks and requires a considerable expenditure of time; secondly, after new technology has been introduced, more difficult plan targets are set and consequently there is less opportunity for over-fulfilling them and receiving bonuses.

⁷ The following comparative figures of annual population increases per 1000 inhabitants are given by the *World Handbook of Political and Social Indicators* (New Haven: Yale University Press, 1964), p. 46. The tested period included years 1958-1961: Hungary, 5; Czechoslovakia, 7; Rumania, 9; France, 10; Yugoslavia, 11; West Germany, 12; Poland, 14; United States, 17; Switzerland, 19; and so on.

and 1963, industrial labor requirements were assured by the withdrawal of men from agriculture and by the increased help of women, whose share in the total labor force grew from 37.8 to 44.6 per cent; in the sectors of agriculture, trade, and health and social services it reached 52, 71, and 77 per cent, respectively. These hidden reserves of labor began to dwindle in the late 1950's. The regime's attempts to get additional manpower from other countries of the Soviet bloc where such hidden reserves still existed were rejected by their governments. Thus it was stated that in the future Czechoslovakia's economy could count on only the natural increase of labor supply of about 1 per cent per year. This percentage might even decline further due to Czechoslovakia's low annual population increases.⁷ Considering the fact that these newcomers will be needed primarily for the development of non-production activities—science, technical services, and so on—it was predicted that any further increase of output in industry would have to be achieved by an increase of labor productivity.

(6) *Wage structure and labor productivity.* The equalitarian tendencies in the remuneration of people for their work were attacked by all who participated in the debate and were given as the main reason for the low quality of output and low labor productivity. A remuneration index based on the average income of a locksmith (= 100) shows the following remuneration averages for the selected categories of employment: a construction worker, 114; a technical employee, 91; an unskilled worker, 70; an elementary school teacher, 64. University education did not bring people out of this narrow remuneration range. The average income of a graduate engineer stood at 100, that of a high school teacher, at 95, that of a lawyer, at 90, and that of a professional economist, at 78 (all based on the locksmith's income = 100). The poor preparation of people for their jobs was also blamed for their low productivity. Only 30 per cent of industrial workers reported some vocational training, and only one half of the latter received training for the type of work they were doing.

(7) *Qualification of enterprise managers.* It was pointed out that in 1965 only 12 per cent of all enterprise managers were university graduates, while 56 per cent were high school graduates, and 32 per cent had not gone be-

hind the elementary school and their formal education. This was regarded as the main explanation for their resistance to assuming more responsibility. They repeatedly showed their preference for executing quantitative orders channelled from central planning agencies.

THE NEM CURE

In the early 1960's, political leaders followed such learned debates with varying degrees of reluctance or embarrassment. Occasionally, they counterattacked or even silenced more aggressive debaters denouncing them as revisionists or Western-style liberals. Later, however, when the economy continued to stagnate and no symptoms of improvement appeared, the economists' views attracted more and more interest. While distrusted by the old party guard, they were asked eventually by younger party members to prepare proposals on how to rejuvenate the country's failing economy. Their blueprint was ready in September, 1964; after four months of heated discussions in the main party organs, it was endorsed in January, 1965, by the party's central committee as the basis of Czechoslovakia's New Economic Model (NEM). It marked a radical departure from the principles along which the Czech economy had been organized since 1948.

Originally, it was planned to issue detailed guidelines for the reform by June, 1965, and to iron out all transitional problems by the end of that year in order to switch the whole economy to the NEM plan in 1966. This timetable proved to be unrealistic. Ideological opponents within the party, potential job losers, with their delaying tactics, and numerous practical problems forced the government to slow the tempo at which the reform could be put into effect. All changes introduced during 1966-1967 aim to prepare for the reform, which will go fully into effect only with the publication of new wholesale price lists, now scheduled for the beginning of 1968.

Ota Sik, one of the chief architects of NEM, is also its main promoter in Czechoslovakia's press.⁸ According to him, the

⁸ See in particular the following studies and speeches of Ota Sik on the subject: "Czechoslovakia's New System of Economic Planning and Management," *Eastern European Economics*, Fall, 1965, Vol. IV; "Problems of the New System of Planned Management," *Czechoslovak Economic Papers*, Vol. 5, 1965; A series of three articles on the problems of transition from the old into the new system of management published in *Rude Pravo* of February 18, 22, and 23, 1966; "Prispevek k analyze naseho hospodarskeho vyvoje," (Contributions to the analysis of our economic development), *Politicka Ekonomie*, Vol. XIV, No. 1, 1966; "On the Eve of a New Stage of Development of the Socialist Economy," address at the 13th Congress of the Party, reprinted in *New Trends in*

salient features of the new system include the following: The central planning authorities will continue to prepare and supervise the execution of the usual five year plans, but they will be shorn of many of their former prerogatives. Individual enterprises will be cut loose from detailed instructions from central planning bodies and their managers will have to make most of the tactical decisions themselves. The enterprises will be grouped horizontally (and some vertically) into "manufacturing economic organizations"—a kind of trust—of which there will be 8 in the fuel and power sector, 4 in mining and metallurgy, 19 in engineering, 14 in building and building materials, 5 in chemicals and paper, and 40 in food and consumer goods. For each group, these will handle matters of common strategy without interfering with the operational problems of each of their members. Profit will become the main indicator of the performance of individual enterprises. While the wholesale prices of their material inputs will be set so to be internationally competitive, the managers will have to produce the correct product mix (i.e., adjusted to the demand) at the lowest possible cost.

Investment and operational capital will no longer be available free of charge. Since the interest which the enterprises will have to pay will affect their profits, they will be induced to keep the borrowed funds at a minimum. For the same reason, they will also attempt to shorten the period of construction of their new developments. The retail price structure will be revamped to correspond more closely to real costs. Computers are expected to indicate the initial price for every commodity. Later, these will be allowed to fluctuate in response to supply and demand, but in the beginning most of them will be subject to price control. Only about one-third of them will be either free or subject to fluctuations within certain limits set by the central authorities.

In other statements, Sik indicated a few more aspects of NEM's intended policy:

The unhealthy equalitarian policies in the remuneration, a product of petty-bourgeois equalitarian spirit, must be abandoned.

On another occasion, he blamed former party planners for their extensive expansion efforts, which assured the quantitative fulfillment of the production targets but which also caused substantial increases in material and manpower inputs and resulted in a permanent deterioration of the effectiveness of production.

Enterprises will be put under heavy economic pressure which will force them to operate at highest profitability . . . those which continue to lag behind . . . after a certain time will be closed down.

He stressed repeatedly the importance of foreign trade which "must be expanded at a faster rate than national income." Trade with capitalistic countries must first of all aid in the badly needed overhauling of the country's productive equipment.

Oldrich Cernik, deputy premier and chairman of the state planning commission, assumed the task of rehabilitating the market in the eyes of his comrades when he addressed them at the 13th party congress in June, 1966:

When Marx anticipated the circulation of goods without a market, he had in mind a Communist society . . . with a surplus of products. . . . The socialization of the means of production was a revolutionary jump . . . but can we say that we already have an incomparably higher working productivity than advanced capitalist countries? . . . We have the power to subordinate the effect of market relations so that they might serve our society. The market should be used for objectivizing value relations . . . for checking the usefulness of products, and for the regulation of microeconomic processes. Such a function of the market is not only compatible with a planned economy but also necessary and advantageous for socialistic society.

To convince the delegates that they would not commit any heresy if they accepted the reform's innovations, Sik reminded them that "the most fundamental precept of Marxism-Leninism is the precept about the permanent development and change of all things and phenomena in the world." The revisionist also ceased to be the villain in other official pronouncements at the congress and, instead, "the scholastic clinging of dogmatists to the letter of Marxism-Leninism" was frequently blamed for the troubles of the system.

CAN NEM SUCCEED?

Antonin Novotny, Czechoslovakia's indestructible president, usually walks a tightrope when he speaks of the reform. In one address, he may endorse it emphatically but when he speaks, for example, to a group of workers worried about their earnings or to a group of some alarmed party hacks, he promises to protect their specific interests—promises in direct contradiction to the very principles on which the reform is based. Having politically survived the Stalin-Khrushchev era, his party purges and his own family scandals, he is obviously getting

ready to survive the reform. It would be just short of a miracle if he succeeds.

One could hardly expect that there will be enough evidence on hand to allow one to reach valid conclusions about the success or failure of Czechoslovakia's bold experiment before the end of 1968. Some formidable obstacles lie in the way of its success. How will the regime find competent managers willing and able to accept the increased responsibilities which the NEM plan assigns to them? The alarmingly low educational standard of the present enterprise managers points to the need to restaff most of such positions. How will one overcome the threatening labor shortage, especially of skilled workers, when the hidden reserves are exhausted, those of other European countries are not available, and the government is committed to the gradual reduction of the prevailing 46 hour week? How will the enormous capital requirements be secured for many of Czechoslovakia's piled-up high-priority programs, the long overdue modernization of its old dollar earning industries (such as glass and chinaware), for the mechanization of agriculture, and for the introduction of new cost-saving technology into many manufacturing processes? Will Czechoslovakia succeed in concluding licensing agreements that would give it access to the world's latest inventions in productive technology? Will its political leaders eventually grasp what their economists try to explain to them—that principles of economic rationality are not incompatible with principles of socialism, and that to gain access to international and to Western credits does not require repudiation of the latter but only acceptance of the former?^{*} A gradual transition to the new system is a concession to the political leaders, a concession which the authors of the reform opposed on the grounds that it might discredit the whole idea of the plan. They warned, in vain, that such "gradualism" would produce the same results as if a country considering a change in her driving rules from left to right applied it first on a trial basis to only 10 per cent of the vehicles on the roads. How will the con-

fusion that attends gradualism be overcome?

Resource and technical obstacles apart, there is one more hurdle of crucial importance for the success or failure of the reform. This is the political decision the party will have to make when it sees the demonstration effect of the decentralization of the economy on other institutions of the system. Its leaders will find that it will be difficult to keep apart the political and the economic effects of the proposed reform measures. The official party organ, *Zivot Strany* (*The Party's Life*), keeps denouncing in every issue the "disquieting trends" which it finds in unconventional views printed on the pages of various cultural periodicals and in their editorial support of depolitization, decentralization, and democratization of public life. When the party marshals see that the monopoly of power is slipping out of their hands, will they not attempt to call off the reform and launch a last-ditch battle for the preservation of their commanding positions? Will the young intellectuals by then have enough popular support for all their "de-" campaigns so that they can silence the old party guard's opposition? And will they have enough competent professional and responsible group leaders on their side to help them to carry the reform to a successful conclusion? Should this happen, it might mean that the commemoration of Czechoslovakia's fiftieth birthday in 1968 will bring to its people not only promising signs of rejuvenation of their economy but of their political scenery as well.

Vaclav E. Mares, native of Czechoslovakia, came to the United States on a diplomatic mission for his home country following World War II. In 1948, he resigned from governmental service and joined the faculty of the Pennsylvania State University where he has been teaching ever since in the area of international economics. In past years, on his frequent research and lecture trips to Europe, Mr. Mares has studied regional development problems and policies in various European countries. He has written for this and other American journals.

^{*} Yugoslavia with her \$2.5 billion collected, since 1950, in credits and grants from the United States and other substantial credits received from such international agencies as the World Bank, the International Finance Corporation, and the International Development Association is the best example of the validity of this statement.

Excerpts from THE REPORTER
1 June 1967

CPYRGHT

'The Rickety Czech 'New Model'

CLAIRE STERLING

IN 1964, by the time President Antonin Novotny of Czechoslovakia finally got around to the problem of the country's galloping economic degeneration, two-thirds of Czechoslovakia's industrial plant was worn out or obsolete. Workers' productivity had dropped considerably behind Western European levels and was forty per cent lower than that of the United States. A nation of only fourteen million people was producing 1.5 million different items of manufactured goods and a vast range of heavy engineering equipment, generally well above average world costs and well below world standards. Rejects of defective industrial products were running to \$200 million a year, export losses were still higher because of faulty packaging, and two-thirds of the merchandise in retail stores was, by official estimate, unfit to be on the market. "Comrade Janitor has just bought nine classroom thermometers," someone protested to a daily paper. "One registered seventeen degrees Celsius, one eighteen, two nineteen, two twenty, one twenty-four, and two didn't register at all." —Novotny did not de-Stalinize until a full seven years after the process had begun nearly everywhere else. Doubtless he would have held out longer if he could have. But Khrushchev would not stand for further delay, and the economy might not have survived it. By following every rule in the Stalinist book, Novotny and his colleagues had led the country straight into a situation which, according to the book, could never arise under socialism: a full-scale depression. Since 1962, economic growth had not only stopped but production and national income were actually declining.

The crisis had been building up for years, mostly because of the Communists' insistence on administering an overdose of socialism to an econ-

omy that had very little wrong with it in the first place. Czechoslovakia had come out of the war almost intact when they took over. Its industries were technically abreast of the best in Western Europe, its foreign trade was soundly in balance, its workers were reliable, highly skilled, decently dressed, comfortably housed, and well fed.

But the party left nothing alone. The most successful light and medium Czech industries were neglected or abandoned in favor of heavy industrial development, at the killing pace that Marxist theory and the Soviet Union demanded. The proportion of manufactured consumer goods to export items declined from fifty per cent to twenty per cent. The country's biggest prewar trading partners, Germany and the United States, dropped out of sight as Prague tried to satisfy the needs of Europe's less developed new socialist states and the voracious Soviet appetite for industrial equipment. Raw materials were bought from Russia at prices above the world market level and finished products were sold below the market.

Workers who had taken pride in the quality of the things they made were reduced to dull indifference by impossible production norms and an egalitarian wage policy guaranteeing seventy per cent of them exactly the same income, regardless of skill, responsibility, or output. The educated middle class was sent out to sweep streets or clerk in shops while managerial jobs were entrusted to workers with no professional qualifications, a third of them with only a primary-school diploma.

Sliding Reform

At this stage the most stiff-necked Stalinists had to concede that what was good for Bolshevik Russia in 1917 was not necessarily good for Czechoslovakia half a century later.

Obliged to revise his policies, Novotny tried to proceed with caution.

But there could be no question of revising only economic policy, and that only a little bit. For once the breach was made, the intellectuals pushed through it. The press, opened to debate at last, became more bluntly critical than any in the other socialist states. Movie studios, the theatre, publishing houses, and the universities became hotbeds of heresy. Writers and poets restored the banished Kafka to his former shrine and embraced existentialism. Students demanded a voice of their own in the National Assembly. Political scientists, pointing out that a "confrontation of interests" was the "motive force of political progress," suggested a multiparty system. Infected by the popular fever, the Academy of Sciences' Economic Institute analyzed the régime's past practices with brutal candor. When the Institute's director, Professor Ota Sik, finally produced a master plan of reform late in 1964, it was a good deal more than Novotny had bargained for.

By now, the New Economic Model is accordingly a good deal less than Professor Sik meant it to be originally. In fact, it is no longer nearly as daring as Hungary's New Economic Mechanism, supposedly patterned after it. Even so, the New Model continues to inspire dark suspicion in party circles here. In the opinion of the Communists' chief ideologue, Jiri Hendrych, it is bound to "create conflict and anti-socialist trends," and to stimulate "tendencies toward individualism and greed, wrong attitudes toward socialist property, and other faults which for centuries have penetrated the human subconscious." In some ways, he is dead right.

The reform is deliberately designed to stimulate individualism and greed. The "petty-bourgeois egalitarian spirit," Professor Sik told the party's Thirteenth Congress last May, has done untold damage to the economy over the past twenty years. With nearly all workers drawing the same pay check, "those who would like to work better are looked upon as eager beavers and self-seekers. Foremen's funds for work bonuses are often divided equally among the whole factory labor force . . . and a general solidarity springs up to pre-

Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4

vent the kind of performance that would be in the public interest." Without a sensibly graduated wage scale, he concluded, the reform could never get off the ground.

Indeed, the New Economic Model is theoretically based on profit incentives all along the line. The state itself, says Professor Sik, is to shake off its classic Marxist habit of "maintaining needed imports at the price of exporting where we often fail to get back not only the work expended but sometimes even the cost of raw materials 'used.'" Industries, subsidized by the state up to now, will be on their own. The state will help by providing mere production guidelines instead of obligatory targets, allowing them to choose their suppliers, change materials, alter technological processes, and amend their production programs at will. They will then have to earn enough profit to cover taxes and capital charges, amortize credits, finance their own modernization and expansion, and pay higher wages and premiums where merited.

Those which can make a go of it will be eligible for six per cent development loans from the banks. Those which can't will be out of business. Of the ten thousand production units that can "justifiably be closed for inefficiency," according to Radio Prague, 1,300 have already been shut down and another 1,400 will be shut by 1970. The fact that 400,000 redundant workers (nearly seven per cent of the labor force) may eventually, if only temporarily, lose their jobs is a disagreeable medicine that must be swallowed. Unemployment is described in the

Short Economic Dictionary here as a phenomenon "completely and forever liquidated under socialism." The dictionary will evidently have to be revised.

Sweeping as the reform may seem at first glance, it is nothing like the revolutionary return to free market principles that Professor Sik had envisioned earlier. His "the consumer is sovereign" theory could hardly appeal to Communist leaders who have spent a lifetime establishing the party's sovereignty. While some more flexible Communists support him, Premier Josef Lenart among them, President Novotny and State Planning Director Oldrich Cernyk have put up a stiff fight. The controversy is still raging, and the New Model is showing signs of wear.

Excerpts from FORTUNE
1 June 1968

CPYRGHT

CPYRGHT

Report from Prague

by Walter Guzzardi Jr.

The source of frustration

To decide whether the initial impulse that started Czechoslovakia on its present course was political or economic is to choose between the chicken and the egg. Certainly since the early 1960's the performance of the Czechoslovak economy has been a great source of national frustration. The indicators do not really indicate very much, and they conceal the familiar distortions, disorientations, and imbalances found in an insulated, highly centralized, command-run economy. In a country that in freedom's day ran efficiently and lived well, the economics of centralism made inefficiencies and a low standard of living the norm.

Trade relationships with the Soviet Union have locked Czechoslovakia in a vise: the country has become dependent on the U.S.S.R. for the iron ore, metals, and other semi-processed materials needed for the machinery it exports—principally to the Soviet Union. The Czechoslovaks have built up a large, unconvertible credit surplus with the Russians, while they run a deficit with Western Europe, and they find themselves desperately short of the hard currency needed to buy Western machinery and technology.

In sum, it would be hard to find a national economy more flawed and artificial

"Our economy has been really a subjective concept, created by and existing only in the heads of the planners," says Professor Jaroslav Nykryn of the Prague School of Economics. "Life was left out."

The long-standing corrective for the economics of fantasy is the well-known reform program of Ota Sik, the architect of the country's "new economic model."

By now, Sik, forty-eight, is as well known in Prague as Marx ever was. His program was given a few tentative trials as long ago as 1958. But it never got going, and the economy stayed on its dreary path, while the Czechoslovak people found their condition static. It then began to dawn on Prague's intellectuals, a literate and bitingly ironic bunch, that the economics of fantasy and the bureaucratic characters central to that form of fiction offered some irresistible material for satire; then came the great outpouring of novels, plays, films, and marvelously inventive jokes that Czechs repeated over their Pilsener and their terrible coffee. And it all culminated in an outburst of public protests last year.

The lampooning of the country's economic predicament, along with widespread discontent, provided pressure that finally moved the old regime of Party Secretary Antonin Novotný to action. In January, 1967, the regime made a big show of endorsing Sik's reforms and introducing them nationwide as government policy. Even some of the old Communist purists were moved to praise.

It was not widely understood though that Šik's reforms threatened the whole power base of the Novotný government. The reforms menaced that great socialist boon, job security, and so immediately aroused the enmity of many workers and trade-union leaders. Plant managers, who had needed only to trump up evidence of quantitative improvement to get their annual bonuses, saw that they would be confronted by the unpleasant, down-to-earth difficulty of making a profit. Up toward the top of the hierarchy, the ranking bureaucrats, such as the party provincial bosses, the ministers of the industrial branches, and the planners—the people that one Czechoslovak economist, in a phrase that struck me as falling strangely from Communist lips, called “the vested interests”—suddenly had something to lose. At the summit, Novotný, canny and on the defensive, approved the shadow of reform, but never its substance.

In those circumstances, reform was easily sabotaged. Šik's program, for example, called for an end to the practice of fixing wholesale and retail prices without any relationship to each other. But in fact wholesale prices rose inordinately, while most retail prices remained unchanged, with chaotic results. Šik wanted to force the enterprises to go to the state bank for their investment needs rather than receive subsidy capital from the government. The bank would make loans at interest on a commercial basis, thus forcing a certain investment discipline. But when wholesale prices soared, the enterprises, protected by their monopoly position, rapidly became so liquid that they never had to make any loan applications at all.

So, after all the promises, the Czechoslovak found himself still caught in that depressingly familiar trap. Everyone put his mind to beating the system. “If you are not corrupt, you are cheating your family,” the slogan went. But the true lesson of 1967 was summed up recently by a leading Czechoslovak political writer, who said: “We learned that economic reform could never work unless we made some political space for it to work in.”

A call for change

Therefore, the political space was made. Resentment against Novotný boiled over

at a meeting in December of the Central Committee of the party. Economist Šik sharply criticized Novotný according to some reports. Then on television on New Year's Day, Novotný, in a last effort to save his political skin, espoused prompt renovation of the national economy. Four days later he was replaced as party secretary by Alexander Dubček, a supporter of substantive economic change.

In its action program, the new government specified that the old closed political atmosphere was largely responsible for the defeat of the efforts to achieve economic liberalization. It asserted that “A major reason for the fact that outdated methods of managing the economy were maintained was the deformation of the political system.” Driving home the point, Šik said on television that “unnecessary compromises and general inconsistency” rather than the new economics were responsible for the “definitely disappointing” results of 1967.

In the new political environment, Šik's recommended reforms began to be put into effect. Some enterprises that produce for export now will be permitted to sell their products directly to the foreign customer, instead of to a state trading company. Thus the survival of the producing companies depends on their selling abilities. This is the trade program Šik has been recommending for years.

While there is still a lot of confusion, most of the new objectives generally adhere to the gospel according to Šik. Ján Púll, deputy managing director of the state bank in Prague, says that “discussions are now going on” about foreign investment. “The majority,” says Púll, “feels that there is no obstacle to foreign investment if the right kind of deal can be worked out.” A source close to Šik suggests that “the country is ready to invite in foreign capital as long as the investment is no bigger than our own.” And Zdeněk Mojžíšek, general manager of Chemapol, the chemical and pharmaceutical trade organization, sounds for all the world like an old-style entrepreneur in hinting broadly that such a deal with an American company would not be *prima facie* dismissed as impossible.

The Czechoslovaks are aware, too, as banker Púll says, that “the veins of our economy run toward Moscow . . . We are not going to cut them.”

BUSINESS WEEK Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4
15 June 1968

**In the only management school in Eastern Europe,
Czechoslovakia is trying to get its industrial chiefs to relearn
decision making. They have to work in a freer economy**

Economic reforms accompanying the political liberalization of Czechoslovakia are lending increased respectability to the country's small but growing group of professional managers, and placing new demands on them as well.

"Now the manager will have to stand in front of the market, not in front of the state as before," says Antonin Mynar, a lecturer in the Czech Institute of Management in Prague. "Our managers were boys, and now they will have to be men," he adds. The three-year-old institute is counted on to supply a new breed of managers—men capable of making their own decisions.

The institute is sending selected middle and top managers back to school, much as businessmen in capitalist countries attend advanced management courses. It is housed in ancient Kolodeje Castle near Prague, whose crystal chandeliers and statuary contrast sharply with Czechoslovakia's austere living standards.

Long tradition. Management education is a rediscovery for Czechoslovakia. In the 1920s, Americans of Czech descent donated one million Czech crowns to found the Masaryk Academy of Labor, which co-sponsored a management conference in Prague in 1924, sparking an interest in management education throughout Europe.

In the years between the two world wars, Czechoslovakia became one of the world's major industrial powers. Large industrial concerns, such as the Bata Shoe Works, pioneered in management techniques. As a result, the Czechs had decades of experience operating a high-technology and capitalistic economy.

World War II with its emphasis on production, and postwar communism with its emphasis on rigid central planning, virtually wiped out management education in Czechoslovakia. It was only in 1965 that the institute was founded. The same year saw the reestablishment of the Committee for Scientific Management, defunct since 1949. The committee is a member of CIOS (Comité International pour l'Organisation Scientifique), Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4
management body that Czech and U.S. management education advocates

Eyes on Prague. The Czechs are anxious to regain their former lead in management sciences and predict that existing programs in management education will expand. The development is being watched closely in Poland and Russia. For Eastern Europe, the Czech programs are already fairly elaborate.

There is, besides the Institute of Management and the Committee for Scientific Management, a management faculty at the Prague School of Economics. The committee has regional groups around Czechoslovakia studying management techniques and it exchanges speakers with similar groups in Western Europe. The Prague School of Economics awards management degrees and spreads the management gospel in adult education courses. One member of the school's staff, Professor Eduard Vopicka, is considered one of Europe's outstanding management experts.

The Institute of Management conducts two types of courses. One, from September to May, is for 50 trainees from middle management who have gone to college and have several years of experience. The other, a five-week crash course during the summer, is for 20 top managers in industry and government.

The institute has a staff of about 120, of whom 25% are full-time. The others are borrowed from other institutions and industry. Although the institute is subsidized by the government, the money it derives by serving as a consultant to some of the country's largest concerns has made it virtually self-sustaining.

Opening new doors. The consulting role still is limited to areas common to both planned and capitalist economies, such as production planning. But this is likely to change. Says Jaroslav Jirasek, 42, the institute's director: "There should be consulting in marketing, financing, and pricing." Jirasek, who went to the institute from the state planning commission, alludes to the conditions that prevailed before the recent wave of reforms when he asks: "If you sell everything you produce, why do any marketing? If your prices are set by the government, why do any pricing? If you finance the state, why do any financing?"

The institute now has eight con-

sulting clients, including Skoda, the big automobile and machinery maker. "We meet with them once a month and they put their management problems on the table and ask for advice on solving them," Jirasek says. "We then try to find proper solutions."

Talent search. Middle management trainees are drawn both from the government and industry. Candidates must be between 35 and 45 and have at least a knowledge of two other European languages. Says Jirasek: "They have to convince us they have a talent to develop. We run them through some stiff tests."

The screening process has revealed a disturbing picture of the typical Czech middle manager, Jirasek says. "All our students are dynamic personalities who look older than they are. Eighty percent are too fat—obese. Fifteen percent are seriously ill and can't perform their tasks without actual danger to their health."

The testing is less stringent for the 20 top managers who are admitted to the shorter summer course. The course material for these men, each responsible for an average of about 30,000 employees, is aimed at bringing them up to date on the latest management techniques.

Jirasek recently summarized the ground that would be covered during the top management course then getting under way: "This week we are explaining the big sociological changes which we call the scientific-technological revolution, with its impact on society and the individual. You might say this is an introductory week in which we may change their minds and their approach. We also bring in macro-economics. Next week we go into micro-economics. After that we do formal techniques such as mathematical and statistical methods, with some systems management. Human relations in management comes in the fourth week, and in the fifth we systematize everything."

Harmony. The way Jirasek explains it, "systematizing" demonstrates the interrelationship between the various management tools.

"For us," confides one Czech, "the management gap is now the gap between the managers we have and the managers we would like to have." And to bridge that gap, the Czechs are attacking the problem with the same zeal that has earned them the most formidable political innovators in Eastern Europe today. End

TIME

November 11, 1966

EASTERN EUROPE

Toward Market Economics

For all its egalitarian vision and brutal controls, Communism is still basically an economic philosophy. Because of that fact, Eastern Europe today is caught up in a brutal but visionary economic revolution. From the Baltic to the Black Sea, reforms—in various degrees and diverging directions—are rippling through all East European countries. If the reforms succeed, they will not only break the glacial grip of Stalinist "command economics" but reshape the societies and political structures of the Continent's entire Communist world.

Red Realism. The need for drastic economic change became painfully evident in the mid-1950s, when Stalinist-tailored war economies—with their stress on heavy industry to the exclusion of consumer desires—began to cause widespread discontent. Yugoslavia was the first to move, after its break with the Kremlin in 1948, introducing a system of decentralized planning and establishing "workers' councils" as co-managers of its factories. In 1956, Poland's "bread and freedom" riots in Poznan triggered reforms that—on paper, at least—far outdistanced Yugoslavia's.

Soon even Moscow—in the voice of Evsei Liberman—was talking of "incentives" and the "profit motive," a green light to the East bloc that soon set Hungary, Bulgaria and even the Stalinist states of East Germany and Czechoslovakia to thinking about reform. Out of earshot of the West, economists began discussing things that the West would understand: bonuses and reinvestment, free prices and the need for incentives, even the accumulation of wealth—once a heretical thought under "egalitarian" Communism. Quite independently of one another, the prophets of profit began coming to the same conclusion: rigid Stalinist-style central planning must cease.

Planned Antagonisms. No East European economy had suffered so painfully under the stagnation of Stalinism as Czechoslovakia's. As the "machine shop" of the East bloc, Czechoslovakia had been forced by Moscow to concentrate its energies—without significant Soviet reinvestment—on building the machine tools (and weapons) that the Soviets needed. Stalinist-minded Czech central planners (called "oxen" by many Czechs) blithely pumped billions of kroner in subsidies into moribund enterprises in order to make their master plans come true on paper. By 1963, Czech economic growth, which had been booming at 8% in 1949, had skidded to nothing—indeed, it actually was in decline, an unheard-of event in a planned economy.

Last week Czech economists were putting the finishing touches on an economic reform program designed to rectify that disastrous situation. It shatters the rigidity of central planning, establishes realistic prices and eliminates subsidies, forces each Czech factory to pay its own way or close down. In its sweep and good sense, it transcends any other reform plan in Eastern Europe.

Its architect is Professor Ota Sik, 47, a wavy-haired, affable Pilsener who has proved the most outspoken, articulate and inventive "icebreaker" in Eastern Europe. "There was no other way but to start using the market again," says Sik (pronounced Schick) in explaining his reform plan. "If we take free enterprise to mean free price competition in the market, then even socialism cannot do without this enterprise."

Sik himself might once have considered such thought pure heresy. An old-line Communist *apparatchik* (he survived the Nazi death camp at Mauthausen, along with Czech President Antonin Novotný), Sik learned his Red economics after the war as a party man, not as an academic. Independently of Russia's Liberman, he had become by 1957 acutely aware of the "economic antagonisms" generated by the lack of market relationships in Red economies. His criticisms (ordered up by Novotný himself) were shrugged off by the Stalinists, but Sik persisted in working toward reform. In December 1963, his 20-man investigative committee demanded a thorough shakeup of the economy, and last year it was approved by Novotný and the Central Committee.

Key to the whole Sik reform is prices. "If the system is to work as a market," says Sik, "it needs real market prices." Only a few staples—mainly foodstuffs and fuel—will have centrally fixed prices. All others will be allowed to move freely in response to supply and

demand. Sik feels there is competition enough among domestic producers to keep prices healthy, though he does not rule out the need for price-fixing at the top, if need be, to control inflation. On the foreign-trade level, he hopes that competition in the realistic world of market prices will force specialization on Czech industry. "At present," he explains, "we produce 78% of the total world spectrum of types of machinery. This is impossible for a small country. Thus we hope our measures will hasten specialization." Already some 1,300 "redundant" Czech factories have been closed, and another 1,400 of them may shut down before the reform wave crests.

Substitute for Subsidies. Impact on the managers is bound to be brutal. "It is much harder [under the new system]

Sik allows. "The central plan will make only a rough estimate. The previous system was nonsensical precisely because it tried to determine future trends without knowing what the technological trends would be." Now central planners will only advise the banks about the climate of investment to guide them in their credit policies. Instead of handing out fat subsidies as in the past, the Czech central bank will charge 6% interest on capital loans—a price that should make plant managers all the more concerned to develop in the right direction. Already the Czechs have established Western-style business-administration schools to teach the new economic skills to managers who in the past were totally unaware of even the world market prices of goods they were producing. "If they don't adapt," says Sik ominously, "they will be replaced."

Because the failure of the old order, was more spectacular in Czechoslovakia than in any other East European economy and because the scope of the new order is so sweeping, Sik's reform could well light a beacon that would illuminate the economies of all Communism. A failure could as easily bring the glacier of centralism crashing down again. In any event, Communism as an economic philosophy has already been altered beyond Marxian recognition. All that will be left of the Communist system is state ownership of property. The problems and the motives of the entire economy will be enterprising and free.

LATIN AMERICA

The Great Arms Race

The cry for disarmament that has so long echoed through the world's major corridors of power was suddenly being taken up last week in, of all places, Latin America—where there has been only one major war in the past 50 years. Ironically, it came from Chile's President Eduardo Frei less than two weeks after his government signed a new \$20 million deal for 21 British Hawker Hunter fighters. Still, Frei had a point—if one not universally shared by Latin American generals.

Last year Argentina bought 25 subsonic Douglas A-4B fighters from the U.S. Chile promptly dashed out for more planes and was soon negotiating for the Hawker Hunters. Not to be outdone, Peru last week was discussing purchase of 16 Mach-2.1 English Electric Lightnings and a flock of advanced-model Hawker Hunters. Meantime, Venezuela was suddenly losing its love for its F-86 Sabre jets, which it bought from the U.S. five years ago. So it, too, was dickering—with Sweden for 20 Saab Draken fighters, a Mach-2.2 all-weather

Shoot Now, Pay Later. Actually, Latin American nations spend only \$1.7 billion a year, or about 12% of their total government budgets on arms, compared with 55% for the U.S. and 25.6% for the European NATO countries. But in an area of the world where the necessity for social reform so far outweighs military needs, even that small percentage appears excessive. And because of that, Washington, which supplies \$1.2 billion a year in Latin American aid, is discouraging unnecessary arms purchases among its southern neighbors. As President Johnson warned in a recent Alliance for Progress address, such purchases "take clothes off the backs and food away from the stomachs and education away from the minds of our children." Hauling out its own heavy artillery last summer, Congress underscored Washington's concern by cutting U.S. military aid to Latin America 9% in the current fiscal year, to \$85 million.

Undaunted, Latin Americans simply

take their escalators elsewhere. "If the U.S. is not willing to sell us the planes we need," shrugged Peru's President Fernando Belaúnde Terry, "we will buy them from any other country willing to sell to us." And possibly cheaper, since Europe is hungry for the business. The Swedes are offering the Saab Draken fighter for some \$700,000, compared with \$900,000 for Northrop's slower (Mach-1.3) F-5 Freedom Fighter (see U.S. BUSINESS). Brazil claims that five-year terms are the best it can get in the U.S.; the British are offering ten years. As a result, the Brazilians ordered ten Avro-748s from Britain last month, and took an option for more.

Ultimate Deterrent. The fancy new war machines, however, are often more trouble than they are worth—and that, in the end, may be the ultimate deterrent. Argentina is desperately short of parts for its now-obsolete Douglas A-4Bs: so the planes are flown only 15 hours a month, which is not even enough

time for pilots to maintain proficiency. Then there is poor Brazil. It no sooner laid out \$35 million for a reconditioned aircraft carrier in 1956 than the navy and air force went to war over which service should get the use of the carrier. In time, the battle triggered major crises for four Brazilian Presidents, the resignations of ten admirals and navy and air force ministers, and several actual shooting scrapes between the navy and air force; not until last year did the two sides finally reach a compromise, agreeing that the navy should man the carrier, and the air force the planes.

In the end, Frei's call for disarmament last week seemed destined for the same sad fate that always seems to greet causes that tamper with national egos. As one Peruvian general summed it up: "If Chile buys arms, we must buy arms too. But we Peruvians are not militaristic. Let our neighbors agree to stop buying armament, and we will join them." Though maybe a little later.

Czechs Use Western Sales Techniques in Export Push

By Donald E. Fink

Prague—Czechoslovakia is emerging as a leading aircraft producer and exporter in Eastern Europe, and is preparing to make a bid for markets traditionally dominated by Western manufacturers.

The Czechs are expected to begin using Western marketing and sales techniques to spearhead the East European drive and compete outside the protective confines of the Soviet bloc. This includes purchase of engines from Western manufacturers for use in export versions of their aircraft.

The Czech aircraft industry, which is developing a specialized line of aircraft for this export push, will continue to depend primarily upon sales within the Eastern European community to support the research and development costs.

Moves by both the Western allies and the Soviet Union to reduce tensions between the two sides of divided Europe have created an atmosphere which makes the Czech effort to deal in both Eastern and Western markets feasible for the first time since World War 2.

The Czech industry has no intention of engaging major U.S. and Western European firms in direct competition, according to officials at OMNIPOL, the foreign trade group which handles international sales of all aircraft. Instead, it intends to concentrate on selling a family of light transport, aerobatic and ag-

ricultural aircraft in specialized markets where there is a minimum of direct competition.

"Our intent is to exploit the small aircraft field, ranging from the sport aircraft to the light transports," one official said. "We know there are areas within these categories where we can be competitive."

In preparation for this move into Western markets, the Czech industrial base has been strengthened by consolidating individual manufacturing facilities into a single consortium called the Czechoslovakian Aeronautical Enterprises (AERO). An early part of this consolidation included the cancelling of two marginal aircraft development programs—the 40-passenger L-152 transport and the five-passenger HC-3 helicopter.

The AERO syndicate includes the

seven major Czech aircraft factory groups, which employ over 29,000 persons. OMNIPOL, the government's exclusive agent for international aircraft sales, presently operates independently of the industrial group.

As a further step toward improving the export potential of the Czech aircraft industry, however, OMNIPOL will be converted into a share company. The AERO group will be allowed to purchase a large portion of the stock, although it has not yet been decided whether the government or industry will hold the controlling interest in the company.

Czechoslovakia, which has about 25 foreign trade organizations representing all portions of its industry, is seeking to streamline all the groups in the same way, according to trade officials. In addition to aircraft, OMNIPOL is the export representative for the industrial groups which produce avionics and aircraft support equipment.

While the markets developing in the Middle East and emerging African nations—two areas Western manufacturers have so far dominated—offer the best export opportunities, there is a market in the U.S. and several European countries for a limited number of Czech aircraft, according to OMNIPOL officials. This is especially true for Czech aerobatic aircraft, which have the reputation of being among the best in the world, they said.

In another move aimed at reaching markets previously dominated by Western manufacturers, the Czechs are considering use of both French and U.S. engines, to take advantage of their reputations for better reliability and after-sales service support.,,

Domestic Market

The domestic Czech market is too small to support the extensive research efforts or long production runs needed to develop new aircraft for this move into new markets, according to one official.

For this reason, the Czechs must get the backing of the Soviet Union and other Eastern European countries before they can start any new programs.

This Eastern European market is largely responsible for the success the Czechs have had with their L-29 Delfin jet trainer. The L-29 was selected by the Soviet Union and other Warsaw Pact nations as their standard basic and primary jet trainer, and over 1,500 of the two-seat aircraft have been ordered.

L-29s also have been sold to Syria and Indonesia, and an advanced version now under development is expected to open new markets. Armament and reconnaissance packs also are available for the L-29, but industry officials said

there are no plans to produce a counter-insurgency version at present.

The domestic and Eastern bloc market potential also was used as the basis for starting the L-410 program, although the ultimate aim is to sell the aircraft in the Middle East and Africa, where a growing requirement now is developing for air taxi and utility transport aircraft.

Low Wing

The Z-40 series will be based on a low-wing design similar to that of the Z-526. The fuselage will be all metal and fabric covered control surfaces will be used, but other design details have not been worked out yet.

In the agricultural aircraft category, the Z-37 is being used extensively in Czechoslovakia, the Soviet Union and other Eastern European countries, where the large collective farms make aerial spraying economical, they said.

The test program with the Continental engines is a preliminary step toward expanding Z-37 sales into Egypt, Sudan, India and perhaps New Zealand, officials said. No attempt will be made to obtain FAA certification for the aircraft, however, since the British certificate is sufficient for the markets now under consideration.

RUDE PRAVO, Prague
10 April 1968

(EXCERPTS)
(underlining added)

COMMUNIST PARTY ACTION PROGRAM

The National Economy And the Living Standards

The 13th congress has approved conclusions which state that the recovery of our economy and the transition to an intense development of the economy cannot be brought about by the traditional approach or by a partial improvement of the directive management and planning system, but by a fundamental reform of the mechanism of the socialist economy. The idea of economic reform has been victorious; it is a change from an instrument for asserting material proportions which have been fixed in a subjectivist manner into a program for economic policy which insures the effective advancement of the economy and the growth of the living standards....

Certain features of economic development in the past two years, a better exploitation of the production factors, a decrease in the share of material expenditures in the social product, the growing exactitude of the consumers with respect to the technical standards and quality of the products, and so forth have fully confirmed the correctness of the resolutions adopted at the 13th congress. But so far these positive features have not yet manifested themselves in a better satisfaction of the needs of society or in a reduction of the tension on the domestic market. The actual reasons for this are that the previous trends are still making themselves strongly felt, the old system of production and foreign trade has still survived, and the production adjusts only slowly to the changes and to the growing exactitude of demand. This is connected with several inconsistencies and loopholes in the realization of the economic reform program.

Instead of systematic efforts to objectively determine market criteria ... there still exist ... efforts to deform these criteria, to adjust them to the given conditions, and thus to create a convenient situation in which the backwardness and deformations remain hidden, can survive, and continue to act like parasites at the expense of all of us.

The system of protecting economic backwardness combined with a policy of prices, subsidies, and donations and chiefly with a system of surcharges in foreign trade continues to prevail in economic policy. An immense network of protectionism creates conditions under which enterprises can exist and in several cases even receive preference which are inefficient, are incompetently managed, and backward. It is impossible to paralyze forever an economic policy by taking things away from those who work efficiently and by giving them to those who manage poorly.

Therefore it is necessary to view objectively the relative values so that the differences in the state of receipts of enterprises express real differences in the standards of their management. Nor is it politically correct for the consumer to pay for inefficiency through prices and taxes or indirectly through the various forms which are draining the means of efficient enterprises.

The enterprises which are confronted with a demanding market must be granted the freedom to decide on all the problems concerning the immediate management of the enterprise and its operation and they must be enabled in a creative manner to react to the demands of the market. Thus a demanding market, combined with an economic policy, will exert pressure to make production more economical and to achieve sound structural changes.

Economic competition, particularly with mature foreign competitors, must provide a basic stimulus for perfecting production and reducing expenditures. This competition cannot be replaced by subjective adjustments of economic conditions or by directives from superior organs.

Socialism Cannot Do Without the Spirit of Enterprise

The democratization program in the economy links the economic reform more closely with the processes facing us in the field of politics and throughout the management of society. It bids us to stipulate and apply new elements designed to develop further the economic reform. The democratization program for the economy particularly involves the granting of independence to the enterprises and enterprise groups and their relative independence from state organs, the full and effective implementation of the consumer's right to determine his consumption and his way of life, the right of free choice of working activity, and the right of the real opportunity for various groups of the working people and various social groups to formulate and defend their economic interests in the creation of economic policy.

Therefore, the party considers it to be imperative that the entire work collective which bears the consequences should also be able to exert an influence on the operation of the enterprise. It will be necessary to establish democratic organs in the enterprises, organs having a defined authority toward the enterprise management. These organs must be a direct component part of the managing mechanism of the enterprises and not a social organization -- therefore they cannot be identified with the trade unions. These organs should be created by electing representatives of the work collection on the one hand and, on the other, by representatives of certain sectors outside the enterprises which insure the effective influence of all-social interests and an expert and qualified level of decisionmaking, the representation of these sectors outside the enterprise which insure the effective influence of all-social interests and an expert and qualified level of decisionmaking; the representation of these sectors must also be submitted to democratic forms control.

At the same time we must arrange the responsibility of these organs for the results in the management of socialist property. In the spirit of these principles we will have to settle an entire series of concrete questions; concurrently, we will have to propose a statute for these organs and to utilize certain traditions of our factory councils of 1945-48 and experience from modern business.

This does not change anything, regarding the indivisible authority and power of the executives in the management skill, authority and powers are the basic conditions for successful business operation....

We must put an end to the previous simplified stereotyped approach used in creating the organizational structure of production and distribution.

The structure of the enterprises must be variegated just as demands on our market are variegated. Therefore, we must also anticipate the development of small- and medium-sized socialist enterprises. They will be significant primarily with a view to supplementing the range of production with a view to a rapid enrichment of the market by producing novelties and a view to flexible response to the diverse demands of the customers. In developing the organizational structure of production and distribution we must open up room for economic competition between enterprises of all kinds and forms of business, in the first place in the sphere of production and the sale of consumer goods and food products.

Farming production is making a significant contribution to the consolidation of our national economy. The recent period and, in particular, the future requirements of the economy clearly enhance this positive consolidating role of agriculture. Its structure should develop so that it gradually insures a reasonable variety of food supplies to the people. Therefore, the party considers it necessary to increase and concentrate the assistance of the state and all sectors, particularly the chemical and engineering industries, on safeguarding an increase in plant and animal production. This is and continues to be a primary task of our economic policy....

Particularly in the sphere of services it is justified that the individual shops should be made independent and that redundant administrative management links should be eliminated. Small personal business enterprise also has its justification in the sphere of services. In this respect we must work out legal prescriptions on small-scale enterprises designed to fill the presently existing gap in our market....

The State's Role in the Economy

Augmentation of social riches is the concern of our entire society. The main tasks and responsibility belong both to the enterprises and to the management organs, and primarily to the government....

It is emphatically necessary to adjust the entire organism of implementing the economic policy of the state. Here the state and the economic organs must solve appropriate organizational questions. At the same time the party considers it desirable that the final state of organization correspond to the following principles:

The making of decisions on the plan and on the economic policy of the state must be on the one hand a process of mutual confrontation and harmonization of various interests -- the interests of business, consumers, employees, various social groups of the population, nations, and so forth -- and on the other hand, a process of a suitable combination of views on the long-term development of the economy and its immediate prosperity. It is necessary to regard adopting effective measures which would safeguard the consumer against the abuse of the monopolist position and the economic power of production and trade enterprises as the necessary part of the economic activity of the state.

The creation of the national economic plan and the national economic policy must be subordinated to the democratic control of the National Assembly and the expert control of scientific institutions. The supreme organ for carrying out the

state's economic policy is the government. This presupposes an institutional organization of central management which would make it possible to express and to unite special interests and views, in the process of making decisions and to harmonize the operations of individual economic instruments and measures of the state in the realization of economic policy. At the same time the institutional organization of economic management organs must make it impossible for departmental or monopolist interests as being the interests of consumers who are the sovereign determiners of economic impulse. In all central economic organs it is emphatically necessary to insure high expert standards and the rationalization and modernization of management work and to subordinate to this the necessary cadre changes....

A well-thought-out technical policy, based on an analysis of technical progress throughout the world and its own concept of economic development, must become an important part of economic management. Its aim will be to direct the technical standards of the production base and to establish economic conditions which will stimulate a strong interest in the search for and implementation of the most modern technology.

In this connection it would be expedient for the appropriate state organs to analyze all kinds of public expenditures and for the government to work out the program of economic, state, and public measures. The state budget must become an instrument for the revival of balance and not an instrument that weakens. The Central Committee considers it necessary and possible to uncover and to utilize sensibly all special inside and outside resources for a rapid renewal of the economic balance.

We are placing great hopes in the renewal of the positive functions of the market as a necessary mechanism in the functioning of socialist economy and as a check on whether the work in the enterprises had been socially expedient. However, what we have in mind is not a capitalist, but a socialist market, and not an arbitrary but a regulated utilization of this market. The plan and the all-state economic policy must operate as a positive force aimed at normalizing the market, aimed against the trends of an economic lack of balance, and against monopolism in ruling the market....

The economic structure of Czechoslovakia, its technical standards, concentration, and specialization must be developed so that they will be capable of reacting more speedily to economic changes at home and in the world....

A More Effective Incorporation in the International Division of Labor

The experience of competition on the world market shows quite unambiguously that exceptional conditions are thereby created for the activities of the economic units, the result of which particularly are a relative lag in the pace of technical progress and in the structural changes in the economy conditioned by it, the loss of the ability of our products to compete on the world market, and the creation of a disproportionate tension in external trade and payment relations. In view of the limited raw material base of our economy and the limited scope of our domestic market, the implementation of the changes in the material production base which accompany the scientific-technical revolution is unthinkable without a broad incorporation of our economy in the developing international division of labor.

The collaboration with the Soviet Union and the other socialist states, particularly with the states associated in CEMA, in the future will also be the basis for the development of international economic relations. It must be realized, however, that in the future the success of this collaboration will, to an ever increasing extent, depend on the ability of our products to meet competition....

Opening our economy to the pressure of the world market requires that the foreign trade monopoly be radically and consistently freed from the administrative concept and methods and that the directive control over foreign trade transactions be eliminated. The Central Committee deems it necessary in this field to pursue an effective state trade and foreign currency policy, one based particularly on economic rules and instruments of indirect control....

The long-term isolation of our economy from the world market has separated the relationship between domestic prices and world market prices. In this situation we regard it as essential to promote a line toward a gradual approximation of the prices on the domestic and world markets. This means in practice to proceed more energetically in eliminating all the various surcharges and subsidies to [permit meeting] foreign market prices. The enterprises must realize that the foregoing is only temporary protection which the state accords them and on which they cannot count forever, and therefore they must draft a program of production changes which in the next few years will enable them to manage without subsidies and surcharges.

A more generous approach to those branches and enterprises in the national economy which are able, from the viewpoint of the national economy, to sell their products effectively on foreign markets must be another aspect of this policy of abolishing price surcharges and donations. The party regards it as a purposeful aim to accelerate the required changes in the present system of price relations and to gradually regulate them through both the pressure of the market forces and a purposeful state economic policy, and to establish a proper, rational price system. This policy must be accomplished by energetic measures to safeguard the domestic stability of the currency. This requires the development of the manufacture of effective stocks of salable and quality goods which can be sold on the world markets and the achievement of an equilibrium of commodities, money, and work on the domestic market for an effective restrictive investment policy, and insuring an equilibrium in the balance of payments as well as the creation of the required foreign currency reserves.

The Problems of the Standard of Living -- An Urgent Task of Economic Policy

In developing economic policy, the party sees the continuous growth of the standard of living as its basic goal. In the past, however, the development of the economy was onesidedly oriented toward the growth of heavy industry with a delayed return of the invested means, a development which took place to a considerable extent at the expense of the development of agriculture and the consumer goods industry, the production of building materials, trade, services, and non-productive basic funds, particularly in housing construction. This onesidedness of the past development of the economy cannot be quickly eliminated. However, if we utilize the great reserves existing in the organization of production and work and if we take into consideration the possibilities of a reasonable utilization

of the new system of management, we can considerably accelerate the creation of resources and on this basis increase the growth of basic wages and the living standard as a whole.

Concerning the growth of the living standard, we must assign greater importance to the growth of wages and salaries. However, the accelerated growth of average wages and salaries does not mean that in the future wages will be increased in the enterprises irrespective of the actual results of business activity. It will be necessary to apply consistently the principle of the development of wages depending on the actually realized production which is socially utilized. It is in this direction that it will be necessary to work out the methods for streamlining the development of wages. At the same time one must insure that, according to the growth of wages in production, wages in education, health service, and other branches of the nonproductive sphere are also increased.

Rational price relations cannot be established and declared by the state authority; one must liberalize the influence of the market forces in their formation. This, true enough, involves a certain risk that the changes in price relations will be accompanied by a certain rise in the general price level. This risk stems from the fact that we have inherited from the directive system of management a situation in which demand generally exceeds supply. Therefore, the central organs of management, while liberating the necessary internal price movement, must regulate general, economic relations to prevent an unprofitable rise of the price level and also to insure a growth in real wages of at least 2.5 to 3 percent per year.

In the near future it will be impossible substantially to increase demands for distributions from social funds because this could not be achieved without considerably reducing remuneration for work. It is possible, however, in the sense of the decision of the December 1967 plenum of the Czechoslovak Communist Party Central Committee, to solve the most urgent problems of social policy, such as increasing low incomes, extending paid maternity leave, and raising allowances for families with children. Further, it is possible to set forth a principle of relating the growth of social incomes to the growth of the cost of living. The Central Committee demands that the state organs remove the obstacles which weaken the interest of the citizens in permanently continuing their working activity to fulfill the terms of their old-age pensions....

In the first installment concerning investment policy, Academician Sik said that "Czechoslovakia officially already embarked on the road of the so-called new system of management 2 years ago. But in reality the ideas of the new system have been applied quite inadequately; too many compromises were made, so that there are more elements of the old system than of the new one."

"The past political leadership, for long years painted over reality. This was caused by the efforts of different leading officials and politicians to evade responsibility," Academician Ota Sik said on the program.

"The new system of management must implement changes in the investment policy, which will not be easy. It must introduce other ways of planning, changes in financing and crediting investments, remove subsidies, introduce other price relations, and gradually achieve changes in the structure of investments and increase their effectiveness."

"Previously, the successes of our industry were mostly talked about very one-sidedly and with a good deal of oversimplification. We used to emphasize the fact that we hold fifth place in Europe in coal production per capita, and the like. We used to say, on the strength of the fact that because of its industry Czechoslovakia is one of the foremost places, that it belongs among the six to eight most advanced countries of the world. This was, indeed, an oversimplified interpretation, which was, alas, rendered necessary by the then political conditions."

It must be said that the measure of a country's development level cannot be expressed in terms of the output of a few selected basic products; this is typically oversimplified view, which was also evoked by simplified planning methods. As you know, in our planning, what has always been determined by directives was only the production of a limited quantity of selected products and, otherwise, only the total volume. However, despite the high output of some selected products per capita our industry has been and still is incapable of satisfying a great multitude of other needs, whether they are needs of people as consumers, or needs of enterprises. "We are of opinion that the measure of the development level of a certain country's economy must be expressed in terms of its ability to satisfy with its industry all the constantly changing and expanding needs, or its ability to insure quickly and flexibly so-called structural changes in its industry. Furthermore, in comparisons between the countries of the world, it is necessary to watch the development of production costs of the country concerned, of the quality of products, so that this production may be genuinely competitive on a world scale. "

"We have missed the development of cybernetics; automation of production is in its infancy in our country; the chemical industry is inadequate, hence we produce an insufficient quantity of new raw materials for the engineering and consumer industries, such as plastics and manmade fibers; a shortage of fertilizers for agriculture exists; development is slight in electronics, and so is the production of modern building materials, but even in metallurgy, what has been insufficiently developed is the production of high-grade steels, thin sheet, and the like. "

"A check of dozens of enterprises has shown that unsalable goods are piling up because, on the one hand, the finishing industry does not meet the structure of domestic demand in 27.2 percent of the enterprises checked.

On the other hand, 25.6 percent of the enterprises checked fail to meet the requirements of foreign customers. And finally, the industry fails to meet the demand for higher quality in 9.3 percent of the enterprises. All this means an immense squandering of labor and material resources. "

"Not only is our industrial production of a very low standard, but our agricultural production is even lower. In agriculture, we have been registering for a number of years, needless to say, a great drifting away of manpower from that sphere. From a labor force of 2.31 million in 1936, this number fell by 1964 to 1.26 million. This in itself is nothing bad; all over the world, the number of people employed in agriculture is falling very rapidly. A grave problem is however posed by the fact that what we are witnessing in this country is the departure above all of young people, and that as early as 1960, in agriculture two-thirds of people were over 47 years of age.

Even more momentous is the fact that this outflow of manpower was not compensated for by a proportionate efficient technology and chemicalization. In the year 1964, in Czechoslovakia there was one tractor for every 43.5 hectares of agricultural land."

"Matters are analogous in regard to chemicalization. In Czechoslovakia in the years 1964 and 1965, for every hectare of agricultural arable land, there was a net 147 kilograms of industrial fertilizer. A number of European countries consumed one-third more of these industrial fertilizers; West Germany had even twice our consumption; Belgium and Holland more than three times our consumption.

Needless to say, all this is reflected in labor productivity in agriculture. For instance, the American farmer on an average needs for the production of one liter of milk, 2 minutes' work; in Czechoslovakia, 6 to 7 minutes.

"For one kilogram of pork, the American farmer needs 3.8 minutes; the Czech, 11 to 14 minutes. In the growing and harvesting of sugar beets, one metric quintal takes 24 minutes to produce in America, and 120 minutes in Czechoslovakia. For one metric quintal of grain, they need 40 minutes in America, and 234 minutes in Czechoslovakia."

"It was total power planning. The decisive thing was the dictate and not the real result. A formal report about the implementation of the plan was sufficient, but the real state of the enterprise, the real results, interested nobody. Everybody was interested in the percentage of the implemented plan. And the personnel policy was in full accord with this. It was not important what people knew, whether they were capable, or had the proper schooling and capabilities to manage. The decisive thing was as a rule dedication and reliability, but to those in power."

"It was so widespread that it became part of the nation's subconscious. It was a characteristic of the selection of the managing staff."

"But that does not mean that every manager is a bad one. Many a good manager had to learn to live with the system. They had to adjust to the system. Therefore, today, it would be neither right to condemn or to change them en toto all management staff. But it will be necessary to examine their work by means of a thorough analysis and to examine their managerial qualifications. I know personally many good managers who will be able to manage well in the new conditions in spite of having been selected under the old system."

"We have today in the capitalist countries a purposeful education and preparation of managers, and it must be said that to manage is a difficult and responsible profession. It demands not only specific knowledge and experience, but also the power to make decisions, the ability to take risks, to be able to deal with people, to be able to pick people to work with, and so forth."

I do not want to unilaterally overvalue the importance of education, but it is an important factor. It is interesting to look at the qualifications of our managers. In 1963 out of 11,941 plant and factory managers and their deputies, only 2,822 had university education, roughly one in five; and 2,265 of these managers had only elementary education. Out of 176,546 engineers and technicians, only 19,546 had a university education, not even one in nine; 37,772 had only elementary education.

If we want a really modern and advanced management in our enterprises, as is the case with the foremost Western firms shown by their productivity and work efficiency, it is not enough to make a general appeal and propaganda, but it is necessary to safeguard this selection institutionally.

"I would like to say that everywhere where it is possible it is necessary to gradually change this bureaucratic decisionmaking about the activity of other peoples into the decisionmaking of people who will themselves feel the consequences of their decisions, and feel it in their own pockets. Peoples should have the widest possible opportunities to make decisions, to share in the making of decisions, but also concerning their own lives, their own being, their future, their interests. And not only there where their life work goes on, in factories and places of work, but as far as possible also where decisions are made about the development of life, production, consumption, communications, and so on in the wider social sense, in regions, nations, and state organs.

Working people's councils are to exist, above the enterprises, as basic and relatively independent enterprise units.

Whether, then, the enterprise is a big, highly concentrated, entirely independent concern, or a lesser enterprise which voluntarily enters with other enterprises an association that is advantageous and strictly defined economically, there should always exist above the enterprise a democratically elected working people's council. It is to have the right to recall and appoint a manager of the enterprise, decide on extraordinary remunerations for him, on changes in the integration of the enterprise, and give its views on fundamental long-term development questions of the enterprise, without at the same time limiting the responsibility of the manager for the final decisionmaking.

"However, I would not conceal from you that we shall not get by without various struggles between interests, and hence without various considerable difficulties. Whenever changes in or the abolition of certain superfluous institutions, certain cadre changes, and the like are involved, what comes into play is not so much reason as people's interest and emotions. And in this, to see through the most sensible, most rational solution is not always easy. I believe, however, that also in hard cases of clashes between interests, the majority of our nation will stand on the side of a reasonable, progressive solution, and for this, I thank you in advance."

25X1C10B

Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4

Next 1 Page(s) In Document Exempt

Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4

November 1968

SOUTH VIETNAM'S GROWING SELF-RELIANCE

Despite criticism from both friend and foe that Uncle Sam is almost single-handedly fighting the war in Vietnam, is trying to substitute for a Vietnamese Government which is almost non-existent, and is attempting to impose democracy on a people who neither understand nor want it, there are hard facts which belie such criticism and which permit a more accurate view of the growing ability of the South Vietnamese people and government to shoulder the burden of the war.

The Armed Forces

The most readily observable and dramatic evidence of South Vietnam's growing self-reliance lies in the military sphere. Although the officer corps had been weak in the past and the non-commissioned officer corps possibly even weaker, President Thieu's administration is placing such strong emphasis on professionalism that in the past year more than half of the divisional and regimental commands have been changed, largely to move out strictly political officers who are being reassigned outside the main command structure. Regular Army forces are being freed for more aggressive action by new efforts to upgrade the 290,000 Regional and Popular Forces (fulltime soldiers assigned close to home), who are now taking over the responsibility of local security and home guard chores. The result has been that battalion-sized actions initiated by the Regular Army are now running at twice the rate of previous years. Since 1 January 1967, South Vietnamese battle deaths have been one-third more than those of the U.S.

The South Vietnamese have more than doubled their Armed Forces in four years and by the end of 1968 their strength will exceed 800,000 with an additional 200,000 in auxiliary and paramilitary units. And since the Tet offensive, 600,000 South Vietnamese civilians have voluntarily enrolled in the Self-Defense units. It is considered probable that this increased enrollment is due in large measure to the cumulative effect of 10 years of Viet Cong atrocities against South Vietnamese civilians which reached a particularly revolting climax during the Tet offensive. During the past summer, four of the 61 Special Forces camps in South Vietnam were turned over by the Americans to Vietnamese administration; it is planned to turn over seven more in the near future. American field commanders for the Special Forces (and other U.S. elements as well) are expressing the view with increasing regularity that training and discipline are beginning to pay off and that the South Vietnamese are now showing almost daily improvement in their ability to carry more of the military burden. With the training and discipline is also developing a sense of esprit de corps hitherto unknown in the South Vietnamese Army.

Building a Government and a Nation

The South Vietnamese Government's monumental problems, resulting from the full scale war being fought on her own ground added to the difficulties

of trying to build a stable government, would be overwhelming for most long-established governments. Nevertheless, the South Vietnamese managed to elect a Constitutional Assembly, to write a Constitution, and to carry out elections in which 83% of the voters participated ... all under war-time conditions and in the face of Viet Cong violence and intimidation against the civilian population.

The government, in some cases with the help of its allies, sometimes on its own, has developed a number of programs centered about pacification, which have the primary aim of making South Vietnam's rural areas secure from the Viet Cong and ultimately of helping South Vietnamese communities to establish a framework of self-government which can effectively tackle the problems of economic, social and political improvement. These programs include the Phung Hoang (a combined police and military campaign to identify and capture Viet Cong-directed terror and extortion campaigns), Revolutionary Development (rural self-help projects such as schools, roads, bridges, etc.), Chieu Hoi ("open arms," to encourage Viet Cong to rally to the Government -- which over 83,000 have done since 1963), and refugee and social welfare programs which have cared for and resettled thousands. Other government efforts have included programs to teach farmers more advanced agricultural methods, to arrange tractor and equipment "pools," to arrange for farmers' credit unions, to redistribute land and to join with U.S. military engineers in rebuilding and improving roads and bridges in rural areas.

GVN Part in Industry, Agriculture, Education, Social Services

Other government initiated actions whose effects will be felt beyond the immediate war period and which give hope for an increasingly viable economy and society in the post-war era, include:

- Taxes: new legislation is expected to increase revenues next year by 30%;
- Shipping: the number of U.S. advisors on port operations in Saigon has dropped from 150 to about 20;
- Housing: a majority of the houses destroyed during Tet and May offensives have been rebuilt;
- Agriculture: rice production is up one-half million tons in 1967-68 over preceding years; new high-yield rice seed has been planted on approximately 50,000 acres; fertilizer distribution has been increased to twice that of last year; loans from the Agricultural Development Bank are up four times from 1967;
- Industry: industrial output is up 15% since January 1966;
- Education: since 1955-56, school enrollment is up more than 400% at elementary level and 900% at secondary level; normal

schools are turning out 1,500 teachers in 1968 as compared with 1,100 in 1966; since 1964, more than 11,500 elementary teachers have been trained in accelerated 90-day courses;

- Health and Medicine: 9 million immunizations were given against smallpox, cholera and plague in the first four months of 1968; there has been a substantial increase in numbers of graduate nurses and medical facilities.

New Leadership from the Top

The increasing effectiveness of the government bears the unmistakable stamp of President Thieu, who is developing into a remarkably competent executive, as well as a nimble-footed politician. In the year since his election he has managed, with very little fanfare, to create anti-corruption committees at all levels and to remove dozens of corrupt provincial and district officials, he has also replaced the incompetent Premier Loc with the greatly respected civilian Tran Van Huong and removed the notoriously corrupt Police Chief Loan from office, and has brought more civilians into a government traditionally dominated by the military. Thieu's Cabinet of 17 is broadly representative and includes only two military officers while the two Houses of the National Assembly (total membership is 197) include less than three dozen military men. He has made an intense effort to establish direct contact with the people and as a result is constantly traveling throughout the country -- visiting battle areas, dedicating new bridges, medical facilities or refugee centers, or addressing land distribution ceremonies. He is also bridge-building for greater present and future participation by the Government of Vietnam on the international level -- more embassies, trade missions and information centers, more tours abroad by members of the National Assembly and governmental officials, greater attention to achieving membership in international organizations.

And the People -

The growing inclination of the ordinary citizen of South Vietnam to participate in the defense of his country as well as its future can be seen in the high rate of Army re-enlistments, the very large turnout of voters for all elections in South Vietnam since September 1966, the participation of hundreds of thousands of volunteers in Self-Defense program and the increasing number of citizens who dare to report Viet Cong activities despite the terrible threats of retribution. These signs are not dramatic, but in a nation with a history as turbulent as that of Vietnam, and a people so recently grown aware of self-determination, these signs are positive ones and by any thoughtfully applied standards the direction and forward movement of the South Vietnamese Government and people towards self-reliance is encouraging.

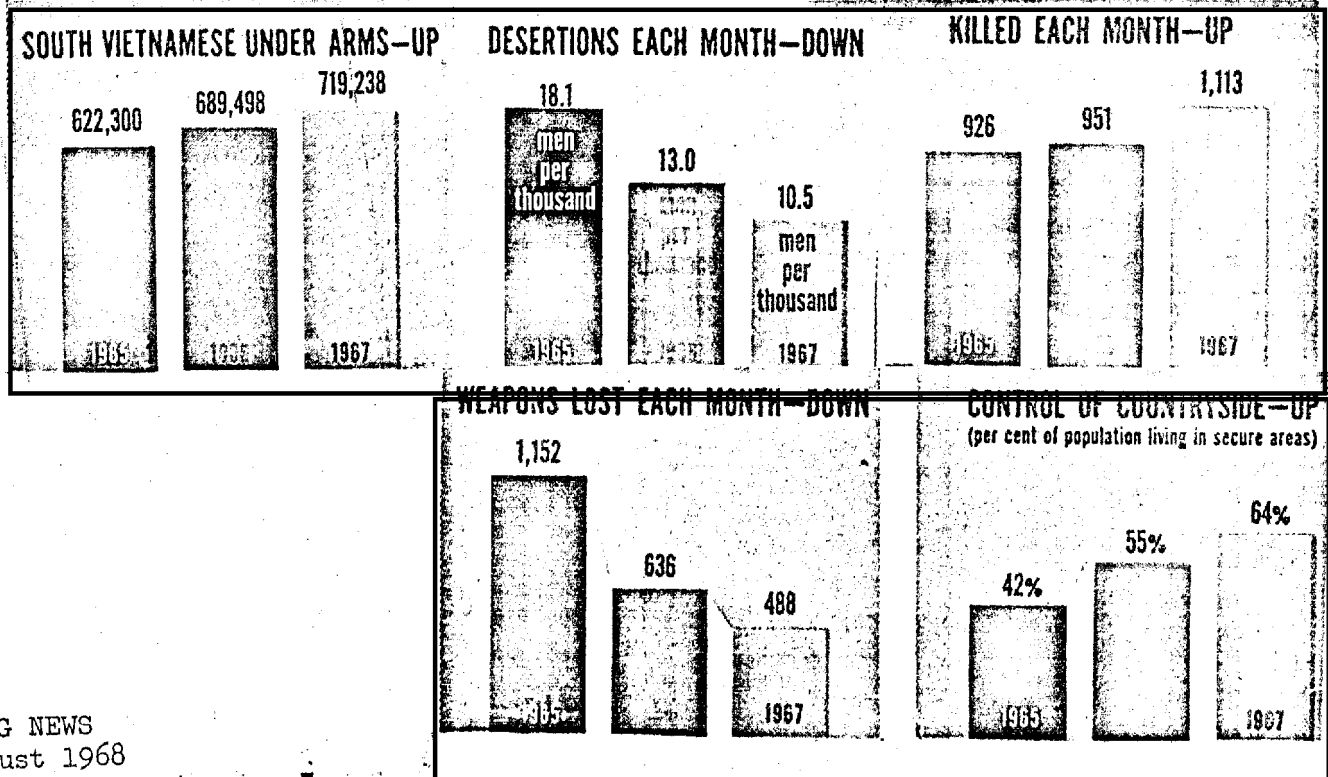
U. S. News & World Report

CPYRGHT

CPYRGHT

Statistics compiled by U.S. military headquarters, Saigon

Note: Figures Regular Army, Navy, Air Force, Regional and Popular forces



EVENING NEWS
21 August 1968

Vietnam In Military Take-Off

CPYRGHT

MANILA — A highly respected Asian diplomat who watched the "little" and the "big" wars in Vietnam says the embattled nation has reached a "military take-off" stage.

Luis Moreno Salcedo, Philippine ambassador to Saigon from January, 1965 to July 1968, one of the most decisive periods in Vietnam, sounded an optimistic note amidst the increasingly louder cooing of the doves in the US political campaign and around the world.

"The Vietnamese people themselves are now, perhaps more than at any other time, aware of the fact that this is their war, that this is their right and

that therefore the main responsibility to win this war is their own. They are taking and assuming daily a greater and greater role in this task of winning the war," Moreno said.

"This is actually their sort of takeoff stage, militarily, in their assumption of a far greater role in the task of preserving their republic," he told UPI in an exclusive interview.

Moreno had high praise for the Vietnamese army and criticism for those skeptical of its role in the war. "It has been said that this army is not really

representative of the people. But I would like to say this: You cannot arm 600,000 men if they are against you because if you do that, they will turn against you. The fact that these soldiers have been armed. And that they have not turned against the government shows that they are for the government and that they are indeed against the enemy," he said.

Moreno's credentials on Vietnam speak for themselves.

In the three years and seven months in that country, he has witnessed

ed a succession of military leaders in the Vietnamese government, the escalation of American involvement from an advisory to a combat status and the start of preliminary talks on the war in Paris. He has also tasted fire at close range. The Viet Cong blasted his residence in Saigon at the start of the Tet offensive but he and his wife and a maid escaped unhurt.

Minister Thuc on post-war economy

CPYRIGHT

SAIGON (VP) — «In my opinion, there is a bright prospect of our post-war economic development with the exploitation of the plentiful resources of our country,» said Minister of State Vu Quoc Thuc, Thursday afternoon while reporting on the post-war economic plan before the Lower House.

CPYRIGHT

The plan was drafted by experts of the Post-War Economic Study Group of which Mr. Vu Quoc Thuc is Chairman.

Mr. Vu Quoc Thuc said the plan has three basic goals which are to preserve manpower, to train the coming generations and to build a self-help economy.

Referring to the training of the coming generation, Minister of State Thuc said that the post war economic plan not only aims at the present generation but also pay a special attention to the coming generation.

He contended that millions of children in the age of 14 and 15 would fall into the Communists hands if we do not take care of them.

Therefore, he added, we must have at least a three-year plan to give a minimum education and care for these 2 million children.

Three - phase plan

To reach the above-mentioned goals, Minister of State Thuc disclosed, the post war economic plan is divided into three phases: a six month transitional

phase, a three-year reconstruction phase and a seven-year development phase.

Concerning the main project to develop the post-war economy, he put forth the essential activities including the modernization and mechanization of Agriculture, the development of the industrial complexes, the exploitation of natural resources and improvement of the foreign trade.

Along with the above activities, the post war economic plan will also carry out the local

development programs such as the Mekong Valley and the Central Highlands projects.

The implementation of all these projects, according to the estimation of the Post War Economic Study Group, needs VN\$350 billion.

Present at the report session on post war economic plan at the office of the Lower House Economy Committee, were Rep. Nguyen Huu Duc, the Committee's Chairman and 20 other Representatives.

LOS ANGELES TIMES
28 August 1968

Green Berets Camps Given to Vietnamese

Local Commanders Begin to Take Over Some Bases in Effort to Build Initiative

BY WILLIAM TUOHY

Times Staff Writer

NHA TRANG—Every body talks about de-Americanizing the war in Vietnam, but the U.S. Special Forces are doing something about it.

In recent weeks, four of the 61 Special Forces camps in South Vietnam have been turned over to Vietnamese administration.

In the II Corps mountain area where most of the camps are located, the field force commander, Lt. Gen. W. R. Peers, hopes to give seven more camps to the Vietnamese.

No Problems

Col. Harold Aaron, commander of the Fifth Special Forces Group, whose headquarters are here, said the camps turned over to the Vietnamese have been well-run and no problems have arisen.

In the past, many Green Beret officers had expressed doubt that the South Vietnamese were capable of running the camps—mostly located in the highlands—which serve primarily as bases for Montagnard troops.

Traditionally, South Vietnamese have been lowlanders who referred to the mountain tribes as "moi" or savages. For their part, the Montagnards have treated the Vietnamese with similar contempt.

"We thought it was about time the Vietnamese began taking over," said Col. Aaron, a 47-year-old graduate of the National War College who holds a Ph.D. in international relations.

Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4
been around so long that

we need to make sure the Vietnamese still have the initiative.

"These camps have been operating just as well with the Vietnamese running them as when we had them. We still supply the funds for the camps, and U.S. Special Forces still operate the next higher headquarters level.

"We need to have a sympathetic Vietnamese commander for the transfer camps."

One factor that has led to Col. Aaron's confidence is the proficiency of the Vietnamese Special Forces.

Attitudes Change

Aaron's confidence is far different from the attitudes toward the Vietnamese Special Forces during the regime of President Ngo Dinh Diem, who was overthrown and killed

in 1963. At that time, they were the despised private political army of Diem's brother, Ngo Dinh Nhu.

Outlying Special Forces camps are manned by "A Teams"—12 or 13 U.S. Special Forces men, an equal number of South Vietnamese and 600 or 700 Montagnard tribesmen "strike troops."

The camps serve the dual purpose of organizing the Montagnards into fighting defense units and patrolling routes of enemy infiltration.

"Our approach is that we are here as advisers, and as the Vietnamese show they can handle the job on their own, we can turn the camps over to them."

"I think we are on the downhill curve in training the Special Forces," Col. Aaron continued.

CPYRIGHT

WASHINGTON POST
10 September 1968

New Officers Warned

Viet Premier Pushes War on Corruption

By Lee Lescaze

Washington Post Foreign Service

SAIGON, Sept. 9.—Premier Tran Van Huong warned today that "the war will be lost if we do not eliminate corruption."

Huong spoke at the opening ceremony for the second class of military officers attending the government's special course in civil administration. Officers now hold almost all top administrative jobs in Vietnam's 44 provinces and 252 districts. The special course is designed to produce more efficient and honest administrators.

The Premier has consistently spoken out against corruption since he was named to form a new Cabinet last May 18. Since Feb. 1, 21 province chiefs and 49 district chiefs have been removed for corruption or incompetence. More are slated to go.

Huong, according to reliable reports, has been somewhat dissatisfied with the pace of the government's anticorruption campaign and has urged President Thieu to move more swiftly. Three Saigon newspapers were ordered suspended last week for printing an Associated Press story that mentioned friction between the President and Premier over anticorruption efforts. (All three resumed publication Monday.)

Yet, American provincial and district advisers have been generally encouraged by recent government changes of personnel. Several of the worst officers have lost their jobs, like the district chief in Quangtri Province, who was sacked for misappropriating the pay of a Popular Forces platoon while the men were in the surrounded Marine base at Khesanh last spring.

"He apparently didn't ex-

pect that they would return," one U.S. source said, explaining the district chief's action.

Another district chief, whose actions led Americans to say his motto was "let us prey," was fired in July.

In a Delta province an American observed that "apparent honesty" has replaced obvious corruption after the province chief was replaced.

In addition to Saigon-initiated removal of officials, there have been a few recent cases in which a province chief cracked down on his subordinates.

One of the most dramatic occurred in Quangnai Province, where local officials were detected stealing war-relief funds from Montagnard villages. The province chief gave eight implicated officials the choice of returning the money and facing a jail sentence or being executed.

In less than a month, \$1800 of the about \$2000 stolen had been returned. The balance was being taken from the salaries of the eight suspects, who are awaiting trial.

In his speech today, Huong urged the 200 members of the new class to resist "temptations of power, ambition and pleasure."

He made it clear that a primary goal of the class is to impress on future officials that corruption is not going to be tolerated by the government.

Huong has remarked several times that wiping out corruption will be a long process. In the months since the enemy's Tet offensive in February, however, the government has made real steps toward eliminating corruption instead of simply talking about eliminating it.

CPYRGHT

SAIGON DAILY NEWS*

12 Aug 68

President Thieu challenges Hanoi

CPYRGHT

SAIGON (SDN) — President Nguyen Van Thieu Sunday challenged communist leaders in North Vietnam to build democracy and to improve the well-being of their people to the level now enjoyed by people in the South.

The president made the challenge at the ceremony of presentation of the capital's civil defense organizations. Prime Minister Tran Van Huong was represented at the ceremony by Interior Minister Tran Thien Khiem.

Pres. Thieu said that unless and until Hanoi's leaders accept his challenge and accept to come to the conference table to talk peace with the South «we will not believe that they have shown their good will for peace»

According to the president, the civil defense program was not launched by the government to support an individual or to consolidate his position

but came into being in response to popular demand.

The program, President Thieu added, will directly affect the people as it will contribute to increase the standard of living, and to improve social activities.

He gave the assurance that although the communists are planning a third wave attack against the capital, they will

not be able to put their plan into operation as allied troops have made it impossible for them to concentrate in order to launch a large-scale offensive.

President Thieu at the ceremony handed over to nine representatives of the nine precincts of Saigon nine carbines M-1s as a symbolic gesture of the government's plan to arm all civil defense units.

BALTIMORE SUN
14 October 1968

CPYRGHT

CPYRGHT

Washington Says Viet Army Is Beginning To Show Gains

By RALPH H. KENNAN
[Washington Bureau of The Sun]

Washington, Oct. 13—South Vietnam's fledgling Army is far from ready to begin replacing American battle units in action, but it is working toward that goal and with some prospects of success, according to a military assessment here.

It still lacks artillery punch, rapid mobility and the kind of logistics system it needs to wage a war without front lines, but American efforts to improve South Vietnam's ability to defend itself are beginning to take shape, according to the Washington appraisal.

While the officer corps is thin and the non-commissioned officer corps is even thinner, the Administration Approaches Nguyen Van Thieu is placing strong emphasis on professional-

ism, a marked change from the tradition following the French withdrawal in which Vietnamese officers tended to have more political connections than military experience.

Another tradition—that a unit commander who takes heavy casualties is in trouble, regardless of the combat situation—is also on its way out, and efforts are being made to raise standards all along the line.

Militia Better Armed

Within the past six months, South Vietnam's Army has been getting better hardware. All first-line battalions now have the automatic M-16 rifle, replacing the World War II-vintage semi-automatic M-1.

Regional and Popular Force (militia) units around Saigon have been given the M-16 as well, and there are plans to provide other militia units with this

kind of weapon.

Regular Army units are also getting the American M-60 machine gun, along with American grenade launchers, armored personnel carriers and mortars.

Improved radio equipment is being introduced to the South Vietnamese army, and there has been a noticeable boost in morale as a result of the better hardware.

Commanders Replaced

Military experts here note that the South Vietnamese first-line battalions now can work with American units as partners, as long as the Americans provide the artillery and air support.

A year ago the corps commanders were political and military men, but now they are military men, and some division commanders tended to rule

their areas like fiefdoms.

But in the past year, corps commanders have been replaced and more than half the divisional and regimental commands have been changed. American military people in South Vietnam rate the new commanders at least as "acceptable" professionals.

Strictly political generals now have been generally reassigned outside the main command structure, and a new effort is under way to upgrade Regional and Popular Force militia units to a point where they can assume an increasing share of local security and home guard chores, thus freeing some Regular Army battalions for more aggressive operations.

Perhaps two score of Regular battalions are still fairly well tied down on home-guard duty, protecting pacification areas against enemy assaults. But as the militiamen gain skill and improved leadership, these Regular battalions would be freed, according to plans.

The mobilization program en-

unciated yast year plus tougher draft laws are calculated to expand the South Vietnamese Army to more than 800,000 by the end of this year. An increase from about 600,000 two years ago.

Vietnamese are now being drafted into the Army for the duration and volunteers are also for the duration of the Viet-

nam war. Draftees formerly served four years and were then released.

Enlistment Choice

Draftees are sent to a national training center and go from there to units as needed. But each division trains its own volunteers, who are given their choice on enlistment of serving

with a unit based closer to their homes.

This is intended to cut into the desertion rate, because Vietnamese are traditionally more home and family-bound than soldiers elsewhere.

The Viet Cong also have a desertion problem, officials noted.

WASHINGTON POST

22 September 1968

Vietnam Recruits New Militia

CPYRGHT

CPYRGHT CPYRGHT

Civilian Volunteers Help Defend Cantho

By Lee Lescaze

Washington Post Foreign Service

CANTHO, South Vietnam

Sept. 21—The narrow footpaths between houses in Cantho's second ward are booby trapped—against the Vietcong.

An intruder after the 8 p.m. curfew will walk into a string of fishline stretched across the path and bring down a pile of tin cans or touch off a homemade rattle powered by rubber bands.

Shouts of "Who goes there?" and the click of a rifle bolt come from the darkness ahead. Then there are laughter and mutual greetings as the chief of Ward Two's self-defense forces escorts his visitors toward one of the guard posts where his men watch each night for less friendly intruders.

Reluctant Volunteers

The people's self-defense program, declared a top national priority by President Thieu last July, is more fully developed in Cantho than in any other South Vietnamese city.

Cantho, the largest city in the Mekong Delta, began to organize its self-defense in mid-May and now has 7592 male members between 16 and 50 years old.

Self-defense force members are called volunteers, but not all of them joined completely voluntarily. When province chief Nguyen Van Khuong and other officials saw that not enough men were signing up, they made it clear that joining had certain advantages.

The province chief printed a letter which urged men to join self-defense groups and hinted rather openly that they could get in trouble if they did not.

Local self-defense leaders let it be known in some areas that a man who didn't volunteer might find himself volunteered for the army.

Entirely Vietnamese

Volunteers or not, the self-defense program here has been one of the most quickly organized and widely supported of the myriad programs tried during the war.

It is an entirely Vietnamese effort, unlike many pacification plans which have been drafted by Americans and then sold, often not very successfully, to the Vietnamese.

The success here has pleased both Vietnamese and American officials. One American adviser believes "that it would be impossible for the Vietcong to infiltrate Cantho now."

Others believe that the self-defenders have made infiltration at night extremely difficult by their surveillance of alleys and canals. But these Americans argue that the Vietcong can still enter the city relatively easily during the daytime when streets are crowded with traffic.

Intelligence estimates are that more than 500 Vietcong are in Cantho. Most of these are members of the guerrillas' shadow government.

Weapons Shortage

Despite Cantho's early start on self-defense and Saigon's current emphasis on the program, Cantho has not received enough weapons for its needs. Saigon promised to give Cantho 2700 rifles in August

(which Thieu declared "self-defense month") But the weapons have not been delivered. Only 257 rifles have been distributed to the defenders and only 180 men have been trained to shoot. There is not enough ammunition for more extensive firing practice, a province official explained.

At most of the 197 sentry posts scattered in Cantho's 29 wards, only one man is armed.

The sentries have had several successes. In their single firefight with Vietcong, a group used hand grenades and rifles to kill two of the enemy. The leader of the group was decorated for his valor.

Through intelligence from the people and by their night watches, the self-defenders have picked up 31 Vietcong, three South Vietnamese deserters, three draft dodgers and six thieves.

They have found 99 grenades, 1000 rounds of small arms ammunition, five B-40 rockets, two rocket launchers, two rifles and three pistols hidden in various caches in the city.

Each night, as they take up their positions, the defenders distribute a slip of paper to every family in their ward. A family may return the slip blank, or may write the name of a suspected Vietcong. All families must return the slip in the morning, thus those who choose to provide the self-defense force with information cannot be identified simply by returning the paper.

Not all of Cantho's wards are as well-organized as the second, with its booby-traps and sentry posts, but all wards have functioning units.

Ward 27 resembles a coun-

try hamlet more than part of a city of 85,000 people. It has packed-earth paths and is not connected to Cantho's power plant—a plant that lights only the older part of the city.

Model Plan

Each family, however has hung a small kerosene light in front of its door, and key

points are patrolled by groups of self-defenders.

Cantho's self-defense plan is being used as a model throughout the Mekong Delta. In most other areas, however, the program is just beginning.

The less-secure district towns of Phongdinh province, of which Cantho is the prov-

ince capital, do not have effective programs and have almost no weapons available.

It will take a major government effort to create a force as effective as Cantho's throughout the Delta—particularly in areas where standing watch at night will expose a man to frequent attack.

WASHINGTON STAR
20 September 1968

Thieu Predicts U.S. Cutback in 1969

CPYRGHT

By DONALD KIRK

Asia Correspondent of The Star

BA TRI, South Vietnam— President Nguyen Van Thieu today reaffirmed his belief that American troops can begin withdrawing from South Vietnam by the end of next year.

Thieu told a press conference at this dusty commercial center 60 miles southwest of Saigon that he based his opinion on the conviction that "next year Vietnamese armed forces will be able to take more responsibility for mobile operations."

Thieu said he already saw signs of increased Vietnamese activities in I Corps, the five northernmost provinces below the demilitarized zone between North and South Vietnam, and in III Corps, which includes the provinces around Saigon.

"In the last few months, several regular units of the armed forces have taken to mobile operations," said Thieu. "The troop commanders of these two areas have plans and projects for building up enough reserve forces to use for operational purposes."

Thieu did not specify which forces he had in mind, but some officials with him on his visit to this town and surrounding villages pointed out what they regarded as the excellent performances of South Vietnamese marines, airborne and ranger troops.

These forces often moved out on short notice against the ene-

my in a recent series of fire-fights around Tay Ninh, provincial capital northwest of Saigon near the Cambodian border.

Thieu made clear he did not mean Vietnamese forces could possibly assume "the whole responsibility for the war" in the next year or two.

He and American officials, notably Army Chief of Staff Gen. William C. Westmoreland, who left Vietnam in June after nearly four years as commander of U.S. forces here, have often spoken of the possibility of developing long-range timetable for American withdrawal.

Thieu said he had issued "instructions" to the commanders of all four corps areas that Vietnamese forces would have to participate much more in mobile operations. In the past American troops have conducted most of the major operations while Vietnamese troops have tended to guard cities, towns and civilian and military compounds.

The question of American withdrawal from Vietnam has turned into one of the most potent political issues here as well as in the U.S. American officials have constantly had to assure Vietnamese leaders they will not "sell out" Vietnam due to political pressure in the U.S.

The tone of Thieu's remarks indicated he and his ministers

have probably worked out a tentative timetable.

Behind Thieu as he spoke was U.S. Ambassador Ellsworth G. Bunker, one of half a dozen ambassadors as well as cabinet ministers and Vietnamese generals who accompanied Thieu on his visit here.

The plans for turning South Vietnamese troops into an army strong enough to defeat the Communists on their own represents perhaps the most critical step of the war.

American officials have privately made clear the United States will continue to supply the Vietnamese forces, but have warned that an American withdrawal in the next few years is inevitable.

One key to Thieu's program is to broaden the base of his political support without compromising with the Communists by considering suggestions for coalition government or a neutralist policy.

It was largely to increase his own popularity — and possibly to strengthen the morale of some elements of the armed forces — that Thieu has decided to invite Gen. Duong Van Minh to work as a special adviser.

Minh, commonly known as "Big Minh," participated in the overthrow of the Diem regime five years ago, ruled the country briefly and then a year later went into exile in Thailand.

SAIGON DAILY NEWS*
25 Sept 68

The G.V.N. pacification program in perspective

COPYRIGHT

Below are remarks by Ambassador R.W. KOMER (Deputy to COMUSMACV for Civil Operations and Revolutionary Development Support) at luncheon meeting of the Saigon (Central) Lions Club September 23, 1968.

As growing RVNAF and Free World military strength plus enemy losses signal an increasingly favorable turn in the "big battalion" war, more interest is again being shown in the Vietnamese Government's efforts to bring greater security to the countryside and win the allegiance of its people. This is what we call pacification. Though called by many names and including many programs, it is essentially the effort to provide greater protection and a better life to the farmers of Vietnam, thus depriving the Viet Cong of their waning popular base and strengthening that Government.

The larger context

To understand pacification however it must be viewed in the perspective of the entire situation in South Vietnam. Too few people — Vietnamese or American — take time to sit back and look at this tragic conflict in its dimension. The war in Vietnam has so aroused passions on all sides American as well as Vietnamese that it tends all too often to be seen in black and white terms. Its critics tend to see only what is going wrong. Its proponents tend to cite only what is going right. Neither give a balanced view. All too often hearts rule heads.

Too many of us also fail to see the multi-faceted nature of this struggle. Many military men tend to look primarily at the "big battalion" war. Others look at it too exclusively in political or ideological terms. Even we pacificationists

recognize that pacification is only one dimension of the conflict in Vietnam.

Nor do even informed observers look enough at trends. Seldom do I see comparisons of the situation today with that of 1963 or 1965 or 1967. If this war seems endless — and no war ever is — this is often because we look only at today and not at yesterday and tomorrow.

And, lastly, we in Saigon see our side's problems far more vividly than those of the other side. The fog of war — and rigid totalitarian discipline — obscure the difficulties of the enemy, whereas ours are plain for all to see. As a result we tend to focus on what we know, whereas what we only suspect may be far more significant.

Let me attempt to cut through this fog-of-war and give you one man's opinion of the current situation and how pacification fits in. But I warn you in advance that I am known as an optimist. To some this is an epithet which means that I accentuate the positive and ignore the negative. What I hope you will take it to mean is that matching the plusses against the minusses, I believe on balance, that things are going better rather than worse. It is also rather unfashionable to be an optimist, because on Vietnam both the American and Vietnamese critical faculty seems to be far more highly developed than the analytical. Moreover, the mistakes tend to be highly visible, whereas the gains are

For example, let us analyze in perspective what is to date the dominant politico-military event of 1968 in Vietnam — Hanoi's Tet Mau Than offensive. The very fact that the enemy launched this offensive seems to me one of the best indications that the enemy realized Viet Cong fortunes were waning. This conclusion led him to violate Mao Tse Tung's dictum that a communist revolution must be based in the rural areas — only when these are consolidated can they serve as the springboard for the final stage of general uprising. But Hanoi, well aware that the GVN/Allied military campaign was grinding down its forces, decided on what many Vietnamese observers felt was a gamble — attacking the major cities of surprise. But, despite gaining a foothold in 20 cities and causing great destruction, he was thrown out of them within a few days except for Hue.

True, Hanoi's Tet offensive had a major psychological impact. Much has been written about its effect on the US audience. Therefore, let me speculate instead on yet another aspect. How do the Viet Cong leadership and their masters in Hanoi view the results of the Tet and mini-Tet offensives in South VN itself? After so many years of protracted struggle, what is the situation they confront today? What have they gained that is worth the staggering manpower losses which their Tet and mini-Tet offensives cost them? Hop-

mony, the collapse. In fact, an only 300% rise in Saigon retail prices since the end of 1964 compares most favorably to the 2400% retail price increase in the three years of the Korean war. Other countries have experienced greater inflation in peacetime than South Vietnam in wartime. Fueled partly by US aid, there has been a rise in GNP and especially industrial production despite the ravages of war.

Nor can Hanoi take comfort in the way in which its gradual take-over of the countryside is being reversed. While accurate measurement is difficult, few would contend that the GVN controls less of the countryside today than it did in mid 1965. Instead there has been an encouraging trend toward petty but nonetheless significant expansion of government control, opening of more roads and water-ways, and revival of the rural economy. For the first time since 1965 rice production rose this last crop year.

One more development that can hardly bring comfort to Hanoi is the increasing need for North Vietnamese manpower to replace Viet Cong losses if the military struggle is to be continued. Neither Vietnamese nor US popular consciousness seems yet to have fully focussed on the fact that at least 75% of the enemy's organized units are now believed to be composed of North Vietnamese regular troops—even though many of them fill so-called Viet Cong units. Why has Hanoi been compelled to send more and more troops south? It is because of the decline of the Viet Cong, a decline in their organized strength, a decline in their ability to recruit and tax despite stepped up terror, a decline in their guerrilla forces. Only by steadily increasing its own military presence has the regime in Hanoi been able to prolong the war. Indeed some thoughtful Vietnamese observers now suggest that unless the enemy can quickly achieve greater military success, he may have to shift his strategy once again. All in all, Hanoi is

be a pessimist rather than an optimist.

Indeed the enemy is experiencing greater and greater military difficulties. If he is enduring heavier losses in 1968 than ever previously in a climactic effort to achieve victory, then at some point he must sit back and assess whether another change in strategy is not essential. But he still controls a significant portion of the countryside. He still has his political apparatus and some guerrilla strength to back up his harried main forces. Here is where pacification comes in.

The role of pacification

All informed observers realize that this is more than just a military war. It is not only a war of opposing military forces but a war for the allegiance of the people of South Vietnam. Hence it is not enough to defeat the enemy's forces every time they attack a town, a military base, or a bridge, or a hamlet. It is also essential in this kind of war to provide protection to the people of the countryside, to help meet their aspirations for a better life. This is what pacification is all about.

As chief US advisor to the GVN's pacification effort, I am impressed with the growing energy and determination with which the GVN is approaching this task. There have been many pacification efforts in the past, but none on the scale—with the resources—and with the leadership—being demonstrated today. And it is almost entirely a GVN effort even though the US provides much logistic and financial support. In the so-called « big battalion » war the Free World Forces make a substantial troop contribution, but all the various pacification programs are run by the Government of Vietnam.

What are these pacification programs which are receiving they instead provided it with a challenge it rose to meet. The GVN which they hoped to upset, was instead energized

22. Today it is stronger and more stable than in years, while the Viet Cong are kept propped up only by a massive infusion of regular NVA troops. Or look at the impact of Tet on Vietnamese morale. Hoping to generate a general uprising of the people, Hanoi instead created greater hatred by their terror tactics. Hoping to strangle the cities its Tet and mini-Tet offensives, Hanoi triggered instead a massive recovery effort which has already taken care of over 700,000 Tet evacuees. Hoping to force a collapse of the Vietnamese armed forces, Hanoi precipitated instead a general mobilization which today has reached over a million men under arms. Were I viewing the scene from the vantage point of Hanoi rather than Saigon, I would be quite concerned over the growing strength and improving performance of the Vietnamese armed forces. For a country of this size to have a full million men under arms in the RVNAF and para-military forces is impressive indeed.

Let us go back even farther than Tet Mau Than, and attempt to see through Hanoi's eyes the longer term trends which have emerged since the high water mark of VC/Hanoi success around four years ago. I am no expert on VN—North or South—but even the untrained eye can see some remarkably visible differences between the situation now and then. Of course, the most visible has been the arrival of substantial US and Allied forces which helped mightily to turn the tide. But this should not be allowed to obscure other important trends. The period of coups after the fall of Ngo Dinh Diem was succeeded by a trend toward political stability since early 1965. Since then the most significant institutional changes have taken place as a result of the electoral process rather than by force of arms. To the surprise of many, the generals did come to share power peacefully with the civilians. A military regime encouraged—rather than re-drafting of a Constitution, the sharing of po-

wer with a legislature, and the election of a constitutionally based executive—all this in the middle of a war. This has hardly given comfort to the New Republic's enemies, however much it is ignored by its friends.

Another frustrating trend, as viewed from Hanoi, must be the unusual resiliency of the South Vietnamese economy. While war-bred inflation has been a painful burden, aided by deliberate VC efforts to strangle the economy, support and impetus from the GVN?

The first prerequisite—and that without which little else can be done—is territorial security—the sustained protection of the rural population against enemy terror and attack. Here the growth in strength, equipment, and effectiveness of the Regional and Popular Forces is gradually having significant impact.

Next is the GVN's PHUNG HOANG program to neutralize the enemy's clandestine political structure, which under the leadership of the Lao Dong Peoples Revolutionary Party (in turn directed from Hanoi), gives political direction to the enemy's effort in the South. A combined police and military campaign is underway to identify and capture the VC hard core cadre who direct the terror campaign, extort taxes from the farmers, and recruit or forcibly impress his sons.

Third is the rejuvenated People's Self Defense program which already numbers about 600,000 members, of whom an increasing proportion are being trained armed to help defend their homes.

Fourth is the Revolutionary Development or Rural Construction Program, spearheaded by over 700 fifty-nine man teams in the black pajamas of the farmer. They are sup-

porter by a far-reaching series of self-help projects—schools, bridges, roads, market places, dispensaries—in the rural hamlets of Vietnam. How many people realize, for example, that almost 10,000 hamlet school classrooms have been built since 1963 and more than 14,000 teachers trained, mostly women?

Fifth is a massive effort, largely by ARVN and US military engineers, to rebuild and upgrade the roads and bridges in Vietnam. These serve not only as military LOCs but open up the countryside for pacification and serve as economic lifelines to the growing cities.

Sixth, the Chieu Hoi program serves as bridge over which Viet Cong can rally and help the government rebuild country instead of destroying it. Some 10,000 Hoi Chanh have already rallied in 1969, and over 85,000 since the program began in 1963.

Seventh, the GVN's increasingly effective Refugee and Social Welfare programs which care for and resettle the hundreds of thousands who still flee from VC control and the terrors of the battlefield.

Eighth are the increased GVN efforts to revive and improve effective, responsive and honest local administration from province down to hamlet level. Many US advisors have remarked upon the changes for the better which are now appearing.

Last but by no means least are the GVN measures to revive the rural economy, improve farm incomes, and redistribute land. A Green Revolution is taking place in South Vietnam as well as elsewhere, as improved strains of TN-8 rice are widely disseminated. Some 22,000 hectares of TN-8 were planted in the recent growing season and at least 20,000 hectares more are scheduled for this fall.

Thus pacification is not one but many programs—all of them designed to enhance the security and wellbeing of the countryside and strengthen its commitment to the GVN. We Americans are proud to support these programs to reinvigorate and restore the economic, social and political viability of South Vietnam.

A great deal remains to be done, however. Though the overall trend in pacification—as in other aspects of the VN struggle—is encouraging, we US advisors are under no illusions as to how many problems must still be overcome. Nor in the present GVN leadership. It is even more acutely aware than we who much still is needed to energize these programs, to improve their effectiveness and responsiveness to popular aspirations, to the allegiance of its people, he stated. CORDS is very aware of the progress of these efforts through its Hamlet Evaluation System—a monthly report by US district advisors on the state of security and development in the 8,700 odd hamlets... which are under at least some degree of Government control or influence.

The war's many facets must be regarded in balanced terms and not in black and white terms, he stressed. Too many people are inclined to exaggerate trends and get emotional about the war. This blinds them to the reality.

The most visible long-term trend since 1968 is the arrival of massive Free World Forces. But we should not be blinded to other important trends—increased political stability, the resiliency of the Vietnamese economy, the reversal of Hanoi's attempt to gradually take over the countryside, and the increasing need for North Vietnamese manpower to replace VC losses.

AL-ITTIHAD AL-LUBNANI, Beirut
26 July 1968

Water Installation at Dong Nai

The World Health Organization maintains that nothing is more beneficial to any given human society than an adequate supply of microbe-free drinking water. In spite of the war's demands, the Republic of Saigon, with American assistance, has been building a huge and modern installation for the supply of potable water to Saigon and its suburbs with a total population of 3 million.

Potable water is brought to Saigon from the Dong Nai river some 23 kms. away. The reason for this is that the waters of the Saigon river are polluted whereas the Dong Nai waters are fresh. Besides the latter river boasts a delta stretching across an area of 23,000 square kilometers and capable of providing, even in critical periods and the most difficult seasons, a flow of 200 cubic meters of microbe-free, odorless and clear water per second.

The water installation at Dong Nai, which has been in operation since January 1966, has been instrumental in eradicating the cholera and dysentery epidemics as well as the other epidemics spread through polluted water. Prior to its release, the water from this installation is treated and analyzed first at Tho Doq and, later, re-analyzed and purified in Saigon's water centers. These precautions have been dictated by the fear that the water passing through the aging pipes might become contaminated. These fears will, however, pass once the new distribution apparatus becomes operable, when water will flow through 375 kilometers of new pipes being laid in the region.

This project is being financed by the International Development Organization - American aid - through a development loan of 17½ million dollars at an annual interest rate of 3½% repayable in 1990. Additional loan funds may, however, be required because the project's estimated costs have risen to \$40 million.

The following facts and figures relating to this project are noteworthy:

1. The pumping station is capable of handling a daily volume of half a million cubic meters, or, twice the amount of present requirements, which vary between 230,000 and 250,000 cubic meters, and more than the estimated daily consumption of 480,000 cubic meters in the year 1980.
2. The Dong Nai water is treated - at a kilometer's distance from its course across Bien Hoa - with chloride in a station on the western bank. From this point the water is sent through 72" pipes over a distance of 11 kilometers to Tho Doq for analysis, purification and treatment.
3. From Tho Doq the purified water is pumped to Saigon's distribution station through 78" pipes over a distance of 12.4 kilometers.

4. Pressure is assured through elevated stations each capable of handling 12,000 cubic meters. Eight new stations, with an individual capacity of 150,000 cubic meters will soon be ready.

5. Water flows throughout each 24 hours at the rate of 50,000 cubic meters per hour through 2.5" and 20" pipes over a distance of 248 kilometers and, through 3 1/4" pipes, over an additional distance of 127 kilometers, for distribution among 550 public water sources. Over and above all this, Saigon's regional water office supervises the laying of 3.2 kilometers of new pipes each month and installs individual house connections at the rate of a thousand per month.

6. Surplus water is stored at Tho Doq in two huge reservoirs each of which has a capacity for 40,000 cubic meters. By 1970 Saigon will be equipped with four underground reservoirs which would increase the total volume of stored surplus water by 160,000 cubic meters.

7. Prior to the completion of recent facilities, Saigon's water supply had come from 12 wells which, together, were not sufficient to meet the city's daily requirements of 15,900 cubic meters. Then too, this well-water with its iron deposits had tended to block the pipes which resulted in a weakened pressure even during winter. Thus Saigon had constantly complained of a water shortage and Saigons' women used to have to buy their daily requirements at the city's public water centers at the rate of 10 to 25 Vietnamese piastres per 20 liter tin.

Nowadays, however, with water in abundant supply at all these public water centers, water is obtained free of charge and, whereas in the past only 11,000 obtained their water from these centers, today this total has risen to 50,000.

The station at Nu Kong Dai and Tho Doq is headed by an engineer and the deputy director of the water office. It has a total staff of 133 employees, including technicians and laborers, all of whom are Vietnamese nationals. Most of these employees have received their training at Tho Doq, Dong Nai and in New York. In the last mentioned city they were trained at the hands of prominent American water specialists. Engineer Lai, who studied at the University of Florida, says that the methods applied at Tho Doq rank with the most up-to-date methods so far discovered and that the Saigon installation, already boasting the most modern mechanical and electrical equipment, will all the same be improved upon in the future.

سايغون: تفتقر الحرب الميائية الصالحات للشرب

ان ٨٦ ملقة مودنار شيوعية قد اصابت اقرب المراكز الحراسية وغنى عن البيان ان الاسهام الاميركى ذو شأن كبير بفضل المساعدات الاميركية والحراسة الفيتنامية سهل الوصول الى المياه العذبة الصالحة بمعدلات متساوة مؤمنة للجميع .

١٩٧٠ بأربعة خزانات تحت الارض تزيد الخزين من المياه الفائضة ١٦٠,٠٠٠ متر مكعب ٧ - وكانت سايغون قبل تركيب هذه التجهيزات تتلقى المياه من ١٢ بئرا لم تتمكن من تزويد المدينة ب ١٥٩,٠٠٠ متر مكعب وهي الكمية التي تحتاجها مبدئيا . فقد لاعن ان هذه المياه بما فيها من مواد حديدية كانت تسد الانابيب وكان ضغطها ضعيفا حتى في فصل الشتاء وكانت المدينة تشكو دوما تقعا بالماء بحيث كانت النسوة تذهبن الى مراكز المياه العامة لايتناح الماء بالصافى سعة عشرين ليتر بسعر ١٠ الى ٢٥ قرشا فيتناميا .

اما اليوم فقد اصبحت المياه متوفرة في جميع هذه المراكز وليس على الشعب ان يدفع ثمن المياه وقد اصبح عدد الذين يلجأون الى الاستسقاء منها ٥٠ الفا بعد ان كانوا احد عشر الفا .

ويرأس المحطة في نوكونغ حاي وشونق مهندس ونائب رئيس مكتب المياه ويعمل فيها ١٣٣ مستخدما جميعهم من المواطنين والعمال والاخصائين وقد درب معظمهم في شو دوق ودونغ ناى ونوييورك على يد كبار الخبراء المايين الاميركيين وبعثات الدراسات المائية . ويقول المهندس لاي الذى درس في جامعة فلوريدا ان الوسائل التي استخدمت في شونق هي من احدث ما عرف اليوم فالمياه تظهر بالعقاقير الكيميائية على فترات وفي التجهيزات النسي ركبت في سايغون احدث المعدات الآلية والكهربائية والتي ستعزز رغم ضخامتها في المستقبل .

ونظرا لاهمية هذه المراكز والحاجة الى الماء فان المحطات والتجهيزات تحسنت حراسة القوات الفيتنامية التي اضيف اليها مفرزات من القوات الاميركية منذ شهر ايار الماضي ولم يتمكن الشيوعيون من هذه المحطات الهامة في شنسي هجماتهم الا ان اللوتيان كولونيل ماكسي ولبروب يقول

الانابيب في المنطقة . وتمول مؤسسة الانماء النووية المساعدة الاميركية - هذا المشروع بمبلغ ١٧,٥ مليون دولار بقرض انمائي يسدد عام ١٩٩٠ بغائنة ٣,٥ بالمائة ومن المنتظر ان تزداد هذه المساعدة بعد ان ارتفعت تكاليف المشروع المقدر الى ٤٠ مليون دولار . وجدير بالذكر هنا البسات بعض الارلام والاحصاءات عن هذا المشروع الحيوى :
١ - يبلغ الحجم اليومى لمياه المحطة نصف مليون متر مكعب اى ضعف المطلوب الحال اليومى من المياه وهو نحو ٢٣٠ الى ٢٥٠ الف متر مكعب وزيادة على ما قد تصبح المقطوعة المقدره لعام ١٩٨٠ ب ٤٨٠,٠٠٠ متر مكعب .

٢ - تعالج مياه دونغ ناى على بعد كيلو متر من مجراها عبر بيان هوا بالكور فسى محطة الضفة الغربية وترسل من هناك فى انابيب ٧٢ انش وعلى بعد ١١ كيلو مترا الى شو دوق للتخيل والتكرير والمعالجة .

٣ - من ثودوق ترسل المياه المكررة الى محطة اجهزة التوزيع فى سايغون بانابيب طولها ١٢,٤ كيلو متر و ٧٨ انش

٤ - يتم الضغط في محطات مرتفعة سعة كل منها ١٢,٠٠٠ متر مكعب وسيجرى قريبا

انجاز ثمانى محطات اخرى تتسع ل ١٥,٠٠٠ متر مكعب .

٥ - تجرى المياه طيلة الاربع والعشرين ساعة بمعدل ٥٠٠٠ متر مكعب توزع على ٥٥٠ نبع

عمومى في ٢٤٨ كيلو متر من الانابيب حجمها يراوح بين ٢٥ و ٢٠ انش يضاف

اليها ١٢٧ كيلو متر حجم وربع انش . ومع ذلك فان

مكتب المياه الاقليمى في سايغون يركب نحو ٣,٢ كيلو متر من

الانابيب الجديدة شهريا بالمدينة كما يركب الارتباطات مع المنازل بمعدل ألف بالشهر .

٦ - تخزن المياه الفائضة في خزائين ضخمين فى نو دوق

سعة كل منها ٤٠٠,٠٠٠ متر مكعب . وستجهز المدينة عام

تدخلها في اخرج الاوقات واصعب الفصول ٢٠٠ متر مكعب فى الثانية . فضلا عن انها مياه صالحة خالية من الاوباء او اللون او الروائح . وقد شرع العمل بمحطة اجهزة دونغ ناى في شهر كانون الاول ١٩٦٦ بحيث قطعت دابر الكوليرا والتبوتلاريا وغيرها من الاوباء الناتجة عن المياه الملوثة وتجرى معالجته وفحص هذه المياه فى شو دوق قبل انهامارها كما يعاد تكريرها وتعليقها ودرسها فى منابع سايغون العامة . اذ يخشى من نقل العلوى عسير الانابيب العتيقة كى الساكر القديمة ومن المنتظر طبعاً ان تزول جميع هذه المخاوف عندما يتجز الجهاز التوزيعى وينقل المياه عبر ٣٧٥ كيلو متر من

تؤكد منظمة الصحة العالمية انه ما من مكسب يفيد صحة مجتمع ما من المجتمعات كالمياه النظيفة الخالية من الاوباء التي يشربها ابناءؤه . وعلى الرغم من متطلبات الحرب فكان جمهورية فياتنام قد عملت وتعمل بمساعدة الاميركيين على بناء احدث واصخم جهاز عالمي لتقديم المياه النظيفة الى سايغون وضواحيها وهي منطقة يعيش فيها ثلاثة ملايين نسمة سايغون من نهر دونغ ناى الذى يبعد عنها ٢٣ كيلو مترا ذلك بان نهر سايغون ذاته فاسد المياه وسخها وفيه كثير من الملوحات . بينما مياه نهر دونغ ناى هي طازجة لهادلت تنبسط على مساحة ٢٣ الف كيلو متر مربع بحيث يكون

25X1C10B

Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4

Next 2 Page(s) In Document Exempt

Approved For Release 2005/08/17 : CIA-RDP78-03061A000400030011-4

November 1968

A NEW, "WESTERN" COMMUNISM...?

The invasion and occupation of Czechoslovakia by the Soviet Union and four of her allies in the Warsaw Pact provoked an outburst of criticism from many leading western Communists. Beyond the criticism lay a despair and disenchantment with Communism as practiced in the Soviet Union which may eventually result in major changes in the course of Communism outside the Soviet Bloc.

The despair and disenchantment stems from the long succession of Soviet actions, such as the denunciation of Stalin's crimes, the crushing of the Hungarian Revolution, the primitive antics of Khrushchev, and the renascent Stalinism of the present regime, which have kept western Communists on the defensive for years. Many of them have now decided that the Soviet "model" of Communism has now revealed itself to be unsuitable for other countries of the world, particularly not for modern, pluralistic, technological societies with humanistic traditions such as those of Western Europe. On the other hand, these same Communists perceived in the now aborted Czechoslovak program a new course in the evolution of Communism which would have adapted it to the conditions of modern society.

While their reactions are still relatively inchoate, the views of these western Communists merit careful study. A collection of press articles about, and quotations from, the more important pronouncements is attached.